FINANCIAL TIMES

PUBLISHED IN LONDON AND FRANKFURT

No. 28,8[illegible] Tuesday August 31 1982 ***30p

CONTINENTAL SELLING PRICES: AUSTRIA Sch. 15; BELGIUM Fr 35; DENMARK Kr 6.50; FRANCE Fr 6.00; GERMANY DM 2.00; ITALY L 1,100; NETHERLANDS Fl 2.25; NORWAY Kr 6.00; PORTUGAL Esc 60; SPAIN Pta 85; SWEDEN Kr 6.00; SWITZERLAND Fr 2.00; EIRE 50p; MALTA 30c

NEWS SUMMARY

GENERAL

Irish link in Paris arrests

Three people arrested in Paris this weekend were reported in Dublin yesterday to be members of the Irish National Liberation Army, the political arm of the Dublin-based Irish Republican Socialist Party.

In France, an Elysée Palace statement said Michael Plunkett, Stefan King and Mary Reid were being held in connection with alleged plans for attacks on British targets in Paris and The Hague. It was unclear whether the authorities suspect any connection with the spate of attacks in Paris, mainly linked with Middle East disputes.

The INLA is an illegal organisation in Britain and Northern Ireland, but not in the Irish Republic. Page 2

TUC threat

Len Murray, TUC general secretary, said yesterday the industrial action taken so far in the National Health Service had to be stepped up to persuade the Government to listen. Back Page

Carnival success

London's 17th Notting Hill Carnival went off with a flourish this weekend attracting record crowds. Few people were arrested mostly for minor offences.

China congress

The 12th Congress of the Chinese Communist Party which begins on Wednesday is likely to cal for the re-registration of all party members. Back Page

Talks cancelled

Iraq has decided not to go ahead with a meeting of non-aligned foreign ministers in Baghdad due to open later this week.

Belgium arrests

Belgian police arrested 10 people near Bruges as protestors stopped two trains carrying radioactive waste due to be dumped in the Atlantic.

Ingrid Bergman

Ingrid Bergman, one of Hollywood's biggest stars and winner of three Oscars, has died in London aged 67 following a long illness. Page 10

29 runs to win

England needs 29 runs to win the Third Test against Pakistan with 4 wickets remaining.

Drug control call

The UK Office of Health Economics has called for more refined methods of measuring the effects of new medicines. Page 5

Bulgarians held

The Mozambique Resistance Movement reported it was holding five Bulgarians and had killed 10 government soldiers following attacks over the past two days.

Monster marrow

Security guard David Payne of Tewkesbury, Gloucestershire, has grown a 105 lb marrow, setting a new world record.

Briefly . . .

Sebastian Coe set a new men's 4 x 800 metres world record at Crystal Palace yesterday.

The Soviet Union has completed its first solar-powered village in Turkmenia, Central Asia.

Nahum Goldmann, a former president of the World Jewish Congress for nearly 30 years, died aged 88.

British day-trippers to Calais spend an estimated £30m-£50m a year.

BUSINESS

TUC to tighten pension control

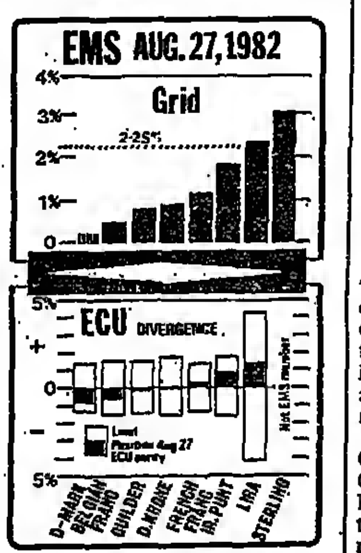
● **THE TUC** is planning to bring workers' pension funds under close trade union control by persuading trustees to challenge the orthodoxy of the funds' investment managers.

The two priorities will be to set a limit on overseas investment and to harness the funds for domestic industrial investment. Back Page

● **VULNERABLE** members of the European Monetary System, such as the French franc and Italian lira, showed a slightly firmer trend at the end of the week.

Earlier the franc come under pressure, and the foreign exchange market remained nervous throughout on fears of the franc's possible withdrawal from the EMS. The Bank of France sold D-marks as the Germany currency rose to a record level against the franc, and also pushed up Eurofranc interest rates sharply, despite the general downward trend in world interest rates, including cuts in the U.S., German, Swiss and Dutch discount rates.

The D-mark also touched a record against the lira, which continued to decline although it remained the strongest member of the EMS.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid based on the weakest currency in the system defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (ECU) itself a basket of European currencies.

● **LONDON-GATWICK** rail link scheme to be privately financed is expected to go before ministers in the next few weeks. Back Page

● **MIM HOLDINGS**, the Australian steel and natural resources company, is raising A$700m (£398m) by a new technique designed to draw institutions into long-term project financing. Back Page

● **BRITISH STEEL Corporation** workers at Scunthorpe fear that another 1,000 job cuts will be announced at the plant.

● **FRANCE'S** Finance Ministry is believed to be preparing a FFr 10bn (£831m) domestic bond issue to help finance the budget deficit.

● **WEST GERMANY'S** Cabinet seems set to approve tomorrow a DM 1.1bn (£256m) loan guarantee for the stricken electricals concern AEG-Telefunken.

● **BL and Vauxhall-Opel** are to follow Ford's example and cut the discount they give their dealers on new cars. Page 4

● **CIVIL SERVICE** union leaders are proposing tight restrictions on local committees, which played a key role in the 21-week strike last year. Page 8

● **BARCLAYS** National Bank, South Africa's largest, is to offer home mortgages. Page 19

CONTENTS

For latest Share Index phone 01-246 8026

Government seeks to avoid revealing public sector pay indicators

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

THE GOVERNMENT faces major embarrassment over plans to avoid disclosing its views on the likely increase in public-sector pay next year.

Last autumn it announced an official "assumption" that the public-sector pay bill would rise by 4 per cent this year. This "assumption," needed for preparation of public-expenditure estimates, was widely interpreted by the trade unions as the opening move in the Government's strategy for the 1981-82 public-sector pay round.

This year, however, Sir Geoffrey Howe, the Chancellor, is anxious to avoid revealing the Government's overall pay assumption for the public sector. This is partly because it has become clear to ministers that the same gambit could misfire in preliminaries to a general election.

The main difficulty is that any figure below last year's 4 per cent could seem provocative to the unions if inflation is running at the expected annual rate of 7 per cent to 7½ per cent by late autumn.

A 3 per cent "pay assumption," for example, would probably be represented as a government plan to cut the real value of public-sector pay by 4 per cent. Such a construction, it is feared, might stir the miners to discontent.

Conversely, the Government does not want to announce, or to see leaked, a pay figure for this year higher than last year's 4 per cent. This, it is felt, would give a quite false impression that the Government intended to relax its grip on public-sector pay.

Treasury officials, therefore have been examining the possibility of drawing up next year's spending plans in such a way that the vital figure is not revealed to the public.

One possibility under discussion is that departments could be given cash budgets which had no provision for any increase in public servants' pay.

The Treasury would instead put an extra sum into the Contingency Reserve, to meet pay increases after they were settled.

This idea, however, conflicts somewhat with the spirit of the new cash-planning system under which departments are allocated a lump-sum to cover all their spending, including that on wage bills and capital projects.

Another difficulty is that departments must use some pay assumption for next year in order to plan the breakdown between their current and capital spending. This figure would have to be supplied by the Treasury and might well become public knowledge.

The Treasury is faced with the further difficulty that last year's 4 per cent figure was partly an assumption for planning purposes, partly an estimate of the final outcome and, most importantly, an opening bid. Its estimate of the outcome may differ considerably from any published assumption.

The Civil Servant's pay settlement this spring, for example, was for an increase of 5.9 per cent, and total public service pay settlements have averaged between 6 per cent and 7 per cent.

In the economy as a whole this year, settlements have averaged a little over 7 per cent and earnings have increased at an annual rate of a little under 10 per cent.

The Treasury's best estimate for next year's pay increases is probably about 5 per cent or 6 per cent, similar to its assumptions about inflation.

It is likely the Government wishes to see public sector settlements at the lower end of the range. It is not expected, however, to be planning for public sector increases to be held a long way below the going rate for the second year running.

CBI says worldwide slump will continue

By Max Wilkinson, Economics Correspondent

A CONTINUING slump in the world economy and almost no growth for the UK this year are forecast today by the Confederation of British Industry in its latest Situation Report.

The CBI outlook is even more gloomy than the warnings of economic stagnation which followed its quarterly survey of industry last month.

Since then companies have reported increased pessimism about export orders and a greater tendency to believe stock levels are too high as well as slightly worsening prospects for output.

The only cheerful aspect of the CBI's latest monthly inquiry of industry is a further indication that inflation will be reduced.

Reports from the regions generally confirm the view that there will be little increase in economic activity for the rest of this year.

On the basis of its surveys and the recent rather gloomy official statistics for output, stock levels, capital spending and imports, the CBI is now forecasting that total UK output this year will be only ½ per cent higher than last year.

For 1983, it is now forecasting growth of only 1.5 per cent compared with its prediction of 2 per cent published in the spring.

One of the main reasons for the more pessimistic outlook is the worsening prospects for exports as a result of the continued depression of the world economy. The CBI now believes exports will grow by only about ½ per cent this year and 1½ per cent next year compared with a growth of 6½ per cent in imports this year and 3 per cent next.

However, it believes that inflation will come down to an annual rate of about 7 per cent by the end of this year, and that this lower-than-expected rate will boost consumer spending by about 1½ per cent in real terms next year.

It is also expecting some contribution to growth next year from a rebuilding of stocks after a further small reduction of stock levels this year.

Companies' real profitability is expected to recover from an average of 2.8 per cent last year to about 4 per cent this year, but the CBI points out that this compares with about 3 per cent at the bottom of the 1975 recession and more than 10 per cent throughout most of the 1960s.

Continued on Back Page
South-East optimistic Page 4

Police mass to crush Solidarity demonstrations

BY OUR FOREIGN STAFF

POLICE went on the alert in Poland's major cities yesterday, ready to snuff out mass demonstrations called to mark the second anniversary of the founding of the Solidarity trade union today.

Dozens of armoured personnel carriers, water cannon and police trucks were moved into Warsaw's main squares and other areas designated as gathering points by Solidarity's underground leadership.

Helmeted forces, from squads with crowd dispersal training, patrolled some main streets.

Heavy police activity was also reported in the port city of Gdansk, the union's birthplace, Szczecin, Wroclaw and Krakow.

PAP, the official news agency, published a reminder yesterday, warning anyone planning to follow the Solidarity call to demonstrate, that all demonstrations, marches, public meetings, protests and strikes are banned.

The report, which was expected to be published in today's official Press, listed penalties, including prison terms, for violations.

It said those found guilty of inciting people to cause disturbances could face up to 15 years in jail, Reuter reports. Organising a strike or distributing leaflets with false information could draw a five-year term.

Grave warnings about possible eruptions of violence at the demonstrations and even a subsequent armed uprising, which have been made by ministers and newspapers in the last week, were replaced by appeals for prudence in yesterday's Press.

The milder line followed a comparatively restrained speech by military ruler Wojciech Jaruzelski televised on Sunday. He said the anniversary should be marked in an atmosphere of peace and hard work.

Yesterday the authorities restricted the sale of alcohol for the next three days, and Poles have been queuing at petrol stations in advance of today's anniversary in case sales are stopped.

Solidarity's underground leaders have called for people to gather at main squares in Poland's industrial cities this afternoon, to display continued support for the union more than eight months after it was suspended under martial law.

They have also said, in scattered leaflets and bulletins, that the demonstrations are to back their demands for a renewed dialogue with the Communist authorities and that, if the protest call is ignored, it could show the underground is broken.

Last week government leaders mounted a campaign of speeches and Press articles saying the organisers were preparing weapons and intended to stage a general strike followed by a possible armed insurrection.

Yesterday's Press toned down this approach. "A responsibility for prudence rests with every single citizen," the Communist Party's daily Trybuna Ludu said.

The papers carried warm praise of the August 31, 1980 accords, which ended a summer of worker unrest and opened the way for Eastern Europe's first independent trade union.

"The country is again in need of the social will which gave birth to the August agreements," wrote the normally-hardline army daily Zolnierz Wolnosci.

The message of the Press was that the agreements reached two years ago tomorrow began a process of social and socialist renewal which must not be halted.

Ministers given warning of 'economic disaster'

BY MAX WILKINSON

THE WORLD is on the brink of an "economic disaster" comparable to the recession of the 1930s, Commonwealth Finance Ministers were warned at the opening session of their meeting in London yesterday.

Mr Shridath Ramphal, the Commonwealth Secretary-General called for a major international effort to revitalise the world economy. The International Monetary Fund and the World Bank in particular should play a more vigorous role in promoting a world recovery.

He said the old era of international co-operation in managing the world economy, established at Bretton Woods after the war, had now vanished.

"The economic internationalism of the post-war period was built, it is true, on the collapse of the 1930s. Must we stand transfixed and helpless waiting for a new collapse, a new depression before we summon forth a new internationalism?"

Mr Ramphal said the recent rescheduling crisis over Mexico's huge debts illustrated how grave the state of the economy had become.

Unprecedentedly high interest rates now threatened countries whose creditworthiness had been beyond question and had produced numbers of unemployed not seen by anyone under 50. In addition the fall in commodity prices was producing foreign exchange deficits for most of the developing countries "so severe that they are depriving many an economy of even the capacity for survival."

Sir Geoffrey Howe, the Chancellor, who was chairman of the meeting, echoed these sentiments only partly when he said this was a "particularly difficult time of world recession, of rising unemployment and acute problems of adjustment to a less inflationary

However, he emphasised the continued need to cut inflation to make way for renewed growth and stability.

He pointed to the more optimistic signs of the recent fall of interest rates in the U.S. and the 3½ point cut in UK short-term rates since last autumn.

Continued progress in reducing interest rates would, however, depend on the success with which a resurgence of inflationary expectations could be prevented, he told the meeting.

Sir Geoffrey cautiously defended the record of the World Bank and announced that the UK would pay its full £185m contribution to the Bank's soft loans arm, the International Development Agency (IDA) for 1983.

The extent of international contributions to IDA this next year has been in doubt because of a decision by the U.S. Congress to defer part of its $2.34bn contribution previously agreed for 1981-83.

Bendix shares suspended

BY RICHARD LAMBERT IN NEW YORK

TRADING IN Bendix Corporation's shares was suspended yesterday as directors of Martin Marietta were meeting to consider Bendix's $1.5bn offer for their company.

The suspension reportedly came at the request of the Martin Marietta board, leading to renewed speculation that the company might be contemplating a retaliatory takeover offer for Bendix itself.

Rumours of such a bid sent Bendix's shares up to $57 before the suspension, compared with about $51 when it announced its bid for Martin Marietta, a diversified aerospace group, last week. At that price, Bendix is capitalised at more than $1bn.

Bendix has been diversifying its engineering activities away from the automotive sector for the past five years. It had acquired about 4½ per cent of Martin Marietta's stock before the offer was announced last week.

Martin Mariette is a leading contractor on projects such as the space shuttle, the Titan III space launch vehicle and the MX missile. It is also a major producer of cement and had a large chemicals interest.

Bonn renews criticism of U.S.

BY JONATHAN CARR IN BONN

WEST GERMANY has renewed its criticism of U.S. development aid, trade policies and budget — just before the annual meeting of the World Bank and International Monetary Fund in Toronto at the weekend.

In an article released here yesterday, Herr Manfred Lahnstein, the Finance Minister, made clear the U.S. could expect pressure at the meeting in all three policy areas.

He welcomed the recent decision by Washington to increase taxes as "a step in the right direction" — but he indicated more was needed if U.S., and hence world, interest rates were to continue to fall.

U.S. monetary policy needed stronger support from budgetary policy, Herr Lahnstein said.

On international lending, the Minister also noted that the U.S. had not made clear its attitude on an increase in IMF quotas, and wanted to cut its share in the International Development Association (IDA).

It was clear that the Reagan Administration—which had a basically different economic approach to its predecessor—needed some time to determine its policy course, Herr Lahnstein said. "But it would be dangerous if it came to a blocking of important international decisions," not least after the broad accord on IMF and World Bank matters already reached at the Western Economic Summit in Versailles in June.

Herr Lahnstein also said Bonn shared Washington's view that free and fair world trade were in everyone's interest.

In Denmark yesterday, however, Herr Lahnstein said the European Community did not intend to harrass the U.S. Administration.

EEC Finance Ministers agreed at an informal meeting in Hornbaek to continue to press for further and "durable" reductions in U.S. interest rates, *Hilary Barnes writes.* But, the West German Minister added, there would not be any warnings. "We are not out to antagonise," he said.

At the meeting Mr Jacques Delors, the French Finance Minister, dismissed rumours that France might be considering leaving the European Monetary System or devaluing the franc again. He said the rumours were unfounded.

A further reduction in interest rates was singled out by Ministers as a key factor which could improve the economic climate, which was viewed with general gloom by all the EEC's finance ministers.

They agreed that there would be no upturn in the European economy this year, and hoped, rather than expected, that things would improve in 1983. All countries expected unemployment to rise again next year, with the exception of the UK, which hopes unemployment will level off.

Shake-up at Continental Illinois

BY PAUL TAYLOR IN NEW YORK

CONTINENTAL ILLINOIS, the Chicago Bank, yesterday announced a management shake-up of its oil and gas group as a result of the Penn Square Bank collapse.

The bank, which reported a $81m (£35m) second-quarter loss as a result of its involvement with Oklahoma City's Penn Square Bank from which it bought $1bn in energy loans, yesterday sacked Mr John Lytle, the vice-president who headed the oil and gas division. The division was mainly responsible for the Penn Square loans.

The changes came after the first phase of an internal inquiry into the impact of last month's Penn Square failure which sent shock waves through U.S. banking.

Mr Roger Anderson, Continental Illinois chairman, said yesterday: "Our investigation has shown that strong measures must be taken to reinforce both the discipline and the management structure of Continental Illinois and our actions are responsive to this requirement."

The bank has accepted the resignation of a number of oil and gas group officers and reassigned several jobs. Two senior bank officers are to retire.

Mr Gerald Bergman, an executive vice-president in charge of the bank's industries department which oversaw the oil and gas group, has resigned to pursue other business interests.

Mr Anderson said a second review phase would concentrate on Continental's lending policies and practices. He said the first had shown that certain control mechanisms should be improved.

OVERSEAS NEWS

French police arrest INLA suspects in Paris suburb

BY DAVID MARSH IN PARIS

THE FRENCH authorities appear to have scored a preliminary success in the fight against terrorism following the arrest in a Paris suburb at the weekend of three persons suspected of being members of the Irish National Liberation Army.

The swoop, made by a crack squad of the National Gendarmerie Intervention Group, was hailed in a dramatic though sketchy communique from the Elysée Palace on Saturday night as an "important" development "in the circle of international terrorism."

President François Mitterrand has staked an important part of his political standing on Government measures to track down the authors of the wave of terrorist attacks which have hit Paris over the past six weeks.

Last night it appeared that the three Irish people—two men and a woman, named yesterday as Michael Plunkett, Stefan King and Mary Reid—were being held in connection with alleged plans for attacks on British targets in Paris and The Hague.

The Elysée Palace statement said that documents and explosives had also been seized in the raid. But it was unclear whether the authorities suspect any connection with the recent spate of terrorist attacks in the capital, mainly linked with Middle East disputes.

In the worst incident, on August 9, six people were killed in the city's central Jewish quarter in one of a series of attacks on Jewish and Israeli targets.

Ten days ago a bomb near the Eiffel Tower killed a police bomb disposal expert. It was believed to have been aimed at a U.S. embassy official living nearby.

President Mitterrand has seen his popularity in the opinion polls drop sharply since the start of the new wave of attacks —which have coincided with a period of gloom on the economic front.

In an unprecedented television interview in mid-month, he announced his personal determination to confront terrorism, and unveiled a string of toughened Government measures aimed at reinforcing security.

Another fruit of increased police surveillance may have been the separate arrest at the weekend in Paris of an alleged Italian terrorist, Oreste Scalzone, sought by the Italian authorities for several years.

The arrest of the alleged INLA members, while welcome as a sign of efficiency in anti-terrorist operations, may have reopened old wounds in the traditional running battle between members of France's domestic security forces.

Thomson group shake-up may strengthen new chief

BY OUR PARIS CORRESPONDENT

A PERSONNEL shake-up at the top of France's nationalised Thomson group looks likely to strengthen the hand of M. Alain Gomez, the dynamic left-winger appointed by the Government in February to head the electrical goods-to-arms conglomerate.

The move is a further step in the Socialist Government's efforts to strengthen control over key state-owned industries whose investment and research decisions are seen as increasingly important to France's economic future.

M Jean-Pierre Bouyssonnie, the present chairman of the group's electronics and military arm Thomson CSF, is expected shortly to resign his post and hand over to M Gomez, already chairman of the parent company, Thomson-Brandt.

According to newspaper reports in Paris—on which the company yesterday officially would make no comment—the hand-over is expected to be made at a board meeting on September 8.

The departure of M Bouyssonnie, a member of the "old guard" of French industry, who has been with Thomson for 30 years and first became chairman of Thomson CSF in 1976, would come as no surprise.

M Gomez, a co-founder of the left-wing Ceres group, at 43, already has a successful career in the civil service and industry behind him. His elevation to the dual chairmanship of the two Thomson companies would assist Government plans for a radical re-organisation of the group, which made a consolidated loss of FFr 180m (£15m last year) primarily due to difficulties in the television sector and in telephones

West Germany set to approve AEG guarantee

BY JONATHAN CARR IN BONN

THE WEST GERMAN Cabinet seems set to approve tomorrow a DM 1.1bn (£238m) loan guarantee for the stricken electricals concern, AEG-Telefunken.

Count Otto Lambsdorff, the Economics Minister, said in an interview published today that he would recommend approval on two conditions. These were that the laender (the provincial states) themselves supported the guarantee action, and that the banks stood by their credit promises to AEG.

Although difficult talks are still going on about the guarantee between Bonn and the laender, it is felt likely that both Count Lambsdorff's conditions will, in fact, be met.

Approval by the Cabinet will open the door to further credit for AEG and raise hopes that a court settlement can be reached which avoids bankruptcy.

AEG applied on August 9 for the opening of court proceedings which would allow it to write off 60 per cent of a crushing debt burden totalling more than DM 5bn.

The Federal Government has already agreed to provide DM 600m in guarantees for loans directly connected with AEG's export business. But before approving a further DM 1.1bn in general loan guarantees, it needed an auditor's report saying the proposed court settlement proceedings stood a real chance of being successful.

A 50-page report from the auditing concern, Treuarbeit, was received by the Economics Ministry last Thursday — and proved generally positive.

Bonn now wants from the laender agreement to cover one half of the DM 1.1bn with counter guarantees—but problems have arisen in finding a formula for sharing out the burden in a way acceptable to all.

Reagan faces new budget showdown with Congress

BY REGINALD DALE, U.S. EDITOR, IN WASHINGTON

President Ronald Reagan faces a tough new budget showdown with Congress, only 10 days after he rallied an unusual coalition of mainstream Republicans and Democrats to pass his $98.3bn tax bill.

By vetoing a "budget-busting" $14.1bn Supplementary Appropriations Bill at the weekend, Mr Reagan has ensured that he will again have to come from behind to amass the votes necessary to sustain the veto. It can be overturned by two-thirds majorities in both House and Senate.

With Democratic leaders accusing Mr Reagan of making war on Congress through his veto power, the tax Bill coalition has vanished almost as quickly as it came together. Mr Reagan clearly hopes that he will reassure the Right-wing Republicans, who rebelled against the Bill, by taking a tough anti-spending line — which he also believes to be politically popular in an election year.

Mr Reagan said in a nationwide radio broadcast at the weekend that the Bill contained almost $1bn too much in funds to aid low-income students, the poor and the elderly, while his request for defence funds had been cut by over $2bn.

Another victim of the veto was the $355m required to launch Mr Reagan's cherished Caribbean Basin initiative, which was attached to the Bill. Mr Reagan appealed to Congress to restore the funds in a revised Bill, but there will be considerable reluctance to do so on Capitol Hill at a time of severe cutbacks in domestic programmes.

The White House said Mr Reagan expected Congress to "act expeditiously" to approve a new Bill when it returns from the Labour Day recess next Wednesday. Officials were reasonably confident that they could sustain the veto in the House.

Mr Reagan believed that Congress would have to move quickly to meet a September 15 deadline, when another instalment of military pay is due. It was only by an unprecedented once-only piece of accounting juggling that the Administration managed to find funds for forces' pay due on August 31.

Warsaw fears coal earnings weakening

By Leslie Colitt, recently in Warsaw

POLAND'S exports of coal this year, the country's main hard currency earner, have already exceeded all last year's shipments, but Poland is encountering stiff competition from the U.S. and other coal exporters in its traditional Western markets.

Doubts are also being expressed whether it should rely so heavily on coal and other raw materials to earn convertible currencies with which to pay off the country's $25bn debt.

Poland exported 16.1m tons of coal until August 10, of which 7.1m went to other Comecon countries and 9m to the West. Coal shipments last year slid to only 15m tons, compared with a record 41m tons in 1979.

Mr Jerzy Malara, the deputy minister of coal-mining, said this year's target is to export 28m to 30m tons of which 12m will go to Comecon and 18m to Western Europe.

Mr Malara said achieving this goal in the West will be difficult as Poland had "lost many markets" to other coal exporting countries and must "regain the confidence we lost."

The Polish official said U.S. coal exporters had moved into France, Austria and Scandinavia, where British coal was also being sold, after Poland was unable to fulfil its contracts. He said even South African coal had been delivered to Western Europe.

Mr Malara noted that Western markets are glutted with coal, while the depressed steel industry makes coking coal equally hard to sell. But he said the price for Polish coal —an average of $45 to $68 per ton—is the same as last year and that no dumping is taking place. Western commercial sources said the price of Polish export coal was lowered to meet the changed situation of Western markets.

The deputy mining minister maintained that over the longer term the outlook for Polish coal exports is good. Polish coal is low in sulphur and Poland could land coal cheaper in Western Europe than the Americans, because of its lower transportation costs.

He said Austria, with whom Poland has a long-term agreement to supply coal, has abandoned its nuclear energy plans and has turned to conventional coal generated energy.

However within Poland, there is now a growing debate whether the country should continue to rely so heavily on exports of coal, copper, sulphur and silver. Polish economists point out that the cost of extracting coal and other raw materials has greatly increased in the past two years.

Falling orders hit U.S. machine tools

By Paul Taylor in New York

U.S. MACHINE tool orders, a key indicator of the health of the economy, fell a further 14 per cent last month mainly because of a dramatic collapse in overseas orders.

The latest figures from the National Machine Tool Builders Association show that orders from U.S. and overseas companies fell to $107.75m last month from $125.9m in July and $192m in the same month last year.

Despite a 6 per cent increase in U.S. company orders which grew from $84.4m in June to $89.2m in July, orders from overseas companies slomped. Foreign orders fell from $41.5m in June to $18.6m in July.

The latest figures mean that total orders in the first seven months of the year at $997.2m have fallen about 50 per cent compared with the same period last year.

Mr James Gray, the association's president, said the July decline had been expected in view of the continuing recession and added that economic conditions were "not conducive to a return of confidence or buying enthusiasm."

● Officials of the United Steelworkers Union have agreed to consider proposals by the major U.S. aluminium companies to alter the current three-year contract, which is not due to expire until next May. But the industry's request for talks has been rejected by the other union involved, the Aluminum, Brick and Clay Workers International.

The three main companies —Aluminum Company of America, Reynolds Metals and Kaiser Aluminum—will be putting their proposals to the Steelworkers Union this week. On Friday, leaders of the aluminium locals will vote on whether to make concessions to ease the industry's current problems.

FINANCIAL TIMES published daily except Sundays and holidays. U.S. subscription rates $365.00 per annum. Second Class postage paid at New York N.Y., and at additional mailing centres.

Party admits shortages and dissent in nationwide telex. **Christopher Bobinski** reports

Poland steels itself for anniversary protests

IN AN apparent attempt to avoid provoking Poles on the eve of demonstrations called today by Solidarity, the Polish authorities changed direction in their propaganda campaign yesterday, trusting that earlier efforts at scaring people into not attending had been effective, Christopher Bobinski reports from Warsaw.

Police patrols were noticeably thinner on the ground, in *Warsaw at least, and commentaries* in the Press presented the accords with workers signed two years ago in Gdansk as a positive development which had gone wrong thanks to the efforts of "enemies of socialism." But these agreements could still be the basis of future, ill-defined, democratising reforms, the commentaries said.

However, in a speech at the weekend to graduates from the military academy in Poznan, *General Wojciech Jaruzelski* narrowed down the freedom of manoeuvre of any future unions by saying that they would be "independent of the administration," meaning the government, and thus by implication not of the Communist party. He called for calm and implied that the authorities would crush any demonstrations.

Meanwhile on Sunday, church congregations heard a bishops' letter which called *for a resumption of talks with* Solidarity

GENERAL Wojciech Jaruzelski's problems controlling Poland's working class would be greatly eased if people's everyday needs could be satisfied and shortages could be reduced.

This is the official Communist Party view, circulated last week as the military Government steeled itself for today's second anniversary of the Gdansk Agreements which led to the formation of the Solidarity union movement.

It was the over-riding message contained in an official telex sent around the country from a provincial party headquarters, which also admitted widespread activity by Solidarity supporters.

Over the last two years, rank-and-file Party members have been demanding more information of what is going on and reports like this are sent out by the Central Committee every day.

In this particular case, Party members were informed last Thursday that "even though appeals for people to take part in hostile demonstrations are meeting with scant success, they do, however, give rise to an atmosphere of anxiety and fear as to the way things might develop and more often than not they heighten tension.

"There are still cases in many provinces of hostile propaganda activity in the form of slogans (on the walls) leaflets and bulletins. Many of them contain calls for people to demonstrate on August 31 by going on marches, assembling or going to Church services," the telex says.

More concretely, a growth in tension among workers is reported in the province of Poznan, Tarnobrzeg in the south east and Zielona Gora in the west. This is put down to people reading leaflets, and listening to Radio Free Europe, the Munich-based U.S. funded radio station and passing the information among themselves."

Intriguingly, the situation in Lublin Province is described as "calm" although the telex says this is "probably being simulated."

It is also laconic about Wroclaw, where fighting has broken out in past months, and say no more than that the situation there "is difficult in a number of factories in the town and surrounding area."

In Poznan, however, where the document says Solidarity Radio went on the air for ten minutes last Tuesday, calling for demonstrations today "there are no indications that there will be strikes and demonstrations in the factories."

The authorities are expecting trouble, however, even in small towns. As the telex says, leaflets have been distributed in Szczytno (23,000 inhabitants), calling for a mass meeting in the local square.

In Krakow, the telex says Solidarity supporters put up a memorial plaque commemorating the Gdansk agreements in the town square. "It was taken down an hour later without any incident."

In Warsaw, Party activists were expecting bus drivers to refuse to go out on to the road on August 31, using the poor state of their tyres as an excuse.

The telex notes that indeed 3,000 tyres used on Warsaw buses are exceedingly worn.

In Olsztyn leaflets calling on workers from the Stomil works to march to the former union headquarters have been distributed. The telex says marches are also being organised in Radom.

But throughout the country, the telex says "the basic topic of conversation is the unsatisfactory state of supplies of food and durable goods in the shops and the rise in the cost of living."

In Tarnobrzeg "the queues for meat begin to form at 3 am and 4 am in the morning. There are also queues for children's footwear."

Speculation, the telex says, is *uniformly unpopular.*

At the Gdansk Lenin Shipyard the two themes in the document of agitation by "hostile elements" and day-to-day economic problems come together.

Air of impermanent peace hangs over vulnerable Bekaa Valley

BY PATRICK COCKBURN IN JERUSALEM

Bachir Gemayel . . . posters in place but Khomeini yet to be removed.

THE BURNT-OUT remains of two Syrian armoured personnel carriers mark the Israeli army's forward line in the Bekaa Valley in eastern Lebanon. Aside from them, there is little else to mark where the two armies are waiting to see if Mr Menahem Begin, the Israeli Prime Minister, will try to evict by force the 30,000 Syrian troops from the third of Lebanon they still hold.

In the first week of the war, the Israelis burst into the south of the Bekaa, the northern extension of the great rift valley which runs down to the Red Sea. After savage fighting around Lake Qaraoun at the southern tip of the Bekaa in June, they forced back the Syrian armoured brigades to a position some 20 km south of the Beirut-Damascus highway. Empty Syrian bunkers, dug into the mountainside, still gape beside the road.

There has been no serious fighting in the Bekaa since that time. A little north of the village of Joub Jannine, the Israelis hold a half-completed hospital, built on a low hill in the centre of the plain. Bulldozers are at work heaping up the ramparts, while a few Israeli Merkava tanks squat behind the hill. A mile or so away, across an open field, where a large herd of black goats graze, the Syrians hold the village of Ghazze, from which rises the white spire of a minaret undamaged by periodic bombardment.

While the ceasefire holds, the Israeli lines have a lackadaisical air. Joub Jannine is decorated with Lebanese flags, and posters of the youthful features of Mr Bachir Gemayel, the newly-elected Lebanese President, though nobody has yet to remove the more flyblown pictures of Ayatollah Khomeini. Israeli soldiers hitch-hike backwards and forwards from their units, their freedom of movement indicating that guerrilla activity against them is considered negligible. Yesterday, however, an Israeli soldier was injured by a landmine a mile to the east of Joub Jannine.

The Israeli Government has said that the Syrians are reinforcing their positions. Front line troops say they have seen nothing of this, though Gen Mustapha Tlass, the Syrian Defence Minister, confirms that he is despatching reinforcements to Lebanon. It is doubtful, however, if more Syrian tanks and infantry will make much difference to the military position in the valley. For the Syrian armoured brigades, it is a death trap. The Bekaa is more like a vast canyon than a valley, seven or eight kilometres of flat land and then the mountains soaring up to over 6,000 feet, to the west.

The Syrian positions are all overlooked by Israeli observation posts on Jabal al Barouk on the western side of the valley. From a half-completed ski resort on the mountain top, Israeli soldiers can see the whole valley laid out at their feet, like a big-scale map. Even the Syrian hill positions on the opposite side of the Bekka protecting Damascus are overlooked.

In additon, Israel has total air superiority.

After crossing the Bekka valley, the Beirut-Damascus road enters a narrow defile on its way to the Syrian capital. This will be immediately closed by Israeli shelling or bombing in the event of a renewed war. The Syrians would have to retreat north up the Bekaa Valley, along the narrow road past the temples of Baalbek, or into the steep hills covering Damascus. Heavy casualties would be inevitable.

For the moment, there is a phony-war atmosphere. The people of the Bekaa, mainly farmers, pass along the road between the two sides. But the armies are very close, and their positions very vulnerable to artillery and air attack. The present peace has an air of impermanence, which nobody expects to last for very long.

Iraqis bomb Iranian oil terminal

By Our Foreign Staff

IRAQI AIRCRAFT bombed Iran's gulf oil terminal on Kharg Island yesterday, setting it ablaze and inflicting heavy damage on oil installations, an Iraqi military spokesman said in Baghdad.

The spokesman said the operation was in retaliation for Iran's shelling of Iraqi cities.

Iran's oil exports have been more than halved following Iraq's earlier attacks on Kharg Island and its warnings to tankers to keep clear of the area, the Middle East Economic Survey (MEES) reported on Sunday.

The well-informed weekly, based in Nicosia, said Iran's total exports had dropped to about 900,000 barrels a day, compared with a peak of 2m b/d in July.

"Damage to the Kharg facilities might have been relatively light, but the uncertainty created by the raids and Iraq's repeated warnings had frightened off many tankers and caused steep rises in freight and insurance rates, MEES said.

Total freight and insurance costs for Iranian crude could work out at something like $3.25 to $3.65 a barrel, compared with about 80 cents a barrel for other Gulf crudes.

MEES said an Iraqi rocket attack on August 18 put out of action a loading facility fairly close to Kharg Island.

This was capable of accommodating tankers of up to 200,000 tonnes. The attack caused damage which would take two or three weeks to repair.

Kim Fuad adds from Caracas: Mexican oil exports will not exceed an average 1.4m b/d this year, Mexican officials have told the Venezuelan Government.

These assurances were made to Sr Humberto Calderon Berti, the Venezuelan Energy Minister, by his Mexican colleague, Sr Jose Oteiza.

Portugal to open currency market

PORTUGAL'S first foreign exchange market will open in October according to Sr Walter Marques the Secretary of State for the Treasury, writes Diana Smith.

The market, supervised by the Bank of Portugal, will be developed in four stages over the next three years—the period when Portugal will be making intensive preparations for EEC accession, and when its heavily-controlled monetary and currency system will have to beb liberalised.

The new market will be for internal use only until June 1983.

Australian public servants charged over fraud case

BY MICHAEL THOMPSON-NOEL IN SYDNEY

A SENIOR public servant was suspended in Perth yesterday and charged as the officer responsible for the alleged involvement of the Attorney-General's department in the spread of tax fraud.

Mr Peter Massie, the Perth deputy Crown Solicitor, together with Mr Sean O'Sullivan, his principal legal officer, and Mr Abraham Bercove, were suspended and charged. The charges will be heard by the chief officer of the attorney-general's department in Canberra.

Their suspensions are the first actions taken by the Government following last week's report by a Royal Commission inquiring into the affairs of the Australian Federated Ship and Painters and Dockers Union.

In addition to cataloguing the union's history of murder, mayhem and maimings, the report uncovered a decade of bureaucratic bungling which had led to the proliferation of tax-avoidance schemes throughout Australia.

Much of the blame has fallen on the Crown Solicitor's office and on the Attorney-General's department. The Royal Commission claimed that Mr O'Sullivan deliberately stalled investigations of tax avoidance, and alleged that Mr Bercove ran a call girl racket from the Crown Solicitor's office in Perth.

The opposition Australian Labour Party (ALP) criticised yesterday's action as inadequate. It said Mr Massie was "comparative small fry," and demanded disciplinary proceedings higher up the hierarchy.

The Labour Party believes tax avoidance and evasion in Australia is costing up to A$7bn a year (£3.9bn). Last week's report found that the country had suffered a "major fraud on its revenue" between 1973 and 1980.

The scandal has gravely embarrassed the government of Malcolm Fraser, Prime Minister, and neutralised any chance of his calling a snap general election to capitalise on the electioneering aspects of his August 17 budget.

The cabinet meets in Adelaide this morning to discuss retrospective legislation which it hopes will recoup lost taxes. However, the federal executive of the Liberal Party indicated late last week that it objected in principle to retrospective laws.

Mexico promises oil as security for BIS credit

BY PETER MONTAGNON IN LONDON AND WILLIAM CHISLETT IN MEXICO CITY

MEXICO has pledged some of its 72bn barrels of oil and gas reserves as well as its holdings of International Monetary Fund Special Drawing Rights (SDRs) as security for the $1.85bn emergency credit it is receiving from the central banks of leading industrial nations.

Details of the pledges were not disclosed, but it is understood that legal wrangling over the use of oil as a security for the credit was the main reason behind the delay in finalising the operation, which was only completed on Sunday.

Bankers said yesterday they hoped the finalisation of the three month credit, which can be extended for up to a year, will go some way towards alleviating Mexico's acute shortage of foreign currency. In recent days it has been virtually impossible for the private sector to obtain dollars in Mexico, even at the preferential rate of 49.50 pesos.

Meanwhile, the advisory committee of commercial banks spear-heading debt rescheduling talks with Mexico, reported to other bank creditors that Mexico's request for a three-month moratorium on principal repayments, amounting to some $10bn, had met with a good response from the banking community generally.

But in a telex to other banks, the committee, whose number has grown to 14 through the inclusion of Swiss Bank Corp and Deutsche Bank, urged banks that have not replied formally to the Mexican request to do so quickly.

The U.S. Federal Reserve is providing half the $1.85bn credit from central banks with the remainder being made available by the Bank for International Settlements with the guarantee of other leading industrial countries.

Main participants are the Bank of Spain with $175m, West Germany, Canada and Japan with $150m apiece and the UK with $140m. The remainder is guaranteed by the central banks of Switzerland, France, the Netherlands, Sweden, Belgium and Italy.

The credit can be drawn in three instalments in line with Mexico's progress towards an agreement with the IMF allowing it to draw some $4.5bn over the next three years. It is intended as bridging finance until this IMF credit becomes

Spanish poll date aims to thwart opponents

BY ROBERT GRAHAM, IN MADRID

THE SPANISH Parliament was formally dissolved yesterday as the first stage in preparations for early general elections on October 28. The dissolution of the second democratically elected parliament since the death of Gen. Franco in 1975 was announced on Friday by the Sr Leopoldo Calvo Sotelo, the Prime Minister.

Although the move had been widely expected, many deputies of all parties believed that the 350-seat Parliament would reconvene, albeit briefly, after the summer recess to tie up outstanding business. The principal business excluded are the statutes for the autonomy of four regions — the Balearic Islands, Castilla-Leon, Extremadura and Madrid.

The biggest polemic provoked by Sr Calvo Sotelo's decision surrounds the projected visit of the Pope, due to take place from October 14-22 in the middle of the election campaign.

If the visit proceeds it will inevitably become more than a pastoral occasion. The Pope's known conservative views on the family, abortion and education risk stirring up a debate which has never been seriously touched upon since the establishment of democracy — the relationship between Church and State. For instance, one of the laws which was dropped from parliamentary legislation because the ruling Union de Centro Democratico (UCD) could not agree among themselves concerned university autonomy. This law, which must be tackled, touches on the highly sensitive issue of State support for private- and Church-controlled higher education.

The Communist Party, the Socialist Party and the recently formed Democratic Centre Party (CDS) of Sr Adolfo Suarez, the former Premier, have all criticised the election date because of its coincidence with the Pope's visit. Whether or not the UCD hopes to profit from the visit by emphasising the dangers of a Socialist victory for the values of Catholic Spain is open to question. But this is certainly the critics' suspicion.

Sr Calvo Sotelo's main consideration in opting for October 28, effectively the earliest date possible under the constitution, has been to prevent the groups which have deserted the UCD in recent months from consolidating themselves as parties. In fact, some see in the move an element of personal vendetta against Sr Suarez and his new party which desperately needs extra time to organise. This is the party likely to do most damage to the UCD at the polls.

Sr Calvo Sotelo also faced the purely practical consideration that his parliamentary majority was completely eroded. To permit Parliament to resume business after the summer recess would only have harmed the UCD further.

According to the electoral timetable, parties will have until September 14 to form coalitions. The existing law favours coalitions, and three of the four parties that have formed from the UCD desertions will need to find partners. The UCD will probably accept an alliance with the newly formed Liberal Party of Sr Antonio Garrigues Walker — the Christian Democrat party of Sr Oscar Alzaga (PDP) will probably ally with the Right-wing Alianza Popular of former Franco Minister Sr Manuel Fraga. But Sr Suarez insists he will stand alone with his CDs while the Socialists, tipped by the polls to win, want to stand alone, reserving the option to make deals later.

The Socialists are expected to place most emphasis on a change of style in Government, rather than on radical reforms of the like proposed by their opposite numbers in Greece and France. The language at their last Congress was very moderate, and the major laws passed by the last Parliament nearly all had the implicit or open support of the Socialists.

These included the law harmonising regional autonomy, still contested by the main nationalist parties, and suspended pending an appeal to the Constitutional Court, a law permitting divorce, and anti-terrorist legislation permitting controversial police detention powers.

The sole major disagreement arose over membership of Nato earlier this year. Significantly, Sr Felipe Gonzalez, the Socialist leader made it clear over the weekend that the Socialists would call a referendum on Nato membership

هكذا من الأصل

Textile exporters face split

BY BRIJ KHINDARIA IN GENEVA

THE EUROPEAN Economic Community's tough attitude towards developing countries' textile suppliers could prevent those countries from uniting sufficiently to squeeze more concessions from the EEC next month.

The Third World's main exporters of textiles and clothing began week-long talks in Geneva yesterday on the Multi-fibre arrangement (MFA), concluded last December.

Several delegates emphasised the urgent need for developing countries to reach a united front before the final phase of bilateral negotiations with the EEC starting next month to reach separate agreements on exports to the Community under the MFA, the world textile agreement.

But about 14 countries have already signed such bilateral agreements, increasing the isolation of the large exporters—Hong Kong and South Korea.

Dissension has appeared in the Third World partly because of suspicions that the large exporters might be using smaller exporters, which have fewer quarrels with the EEC, to strike deals favourable to themselves while neglecting the interests of others.

It is thought Hong Kong, South Korea and Singapore have started to reduce the size of their textiles and clothing industries as they move to sophisticated exports such as electronic goods to fuel the next step forward in their industrialisation.

In contrast, textiles and clothing remain key growing sectors in such countries as India and Brazil which may have preferred more flexible positions in negotiations with the Community, were it not for the desire to maintain Third World solidarity.

The main complaint by Hong Kong and South Korea against the EEC is that it is trying to increase the size of quota reductions. The main complaint of other exporters is against the Community's "anti-surge" mechanism, which would prevent large jumps in exports from one year to the next. They also oppose the Community's insistence on placing import curbs without providing justification beforehand.

The Community has threatened to pull out of the MFA if Hong Kong and South Korea do not accept large cutbacks.

The Third World exporters said yesterday they are determined to force next November's ministerial conference of the General Agreement on Tariffs and Trade (Gatt) to move against the MFA. They argue that the MFA has already lasted more than a decade, although it was a temporary derogation from Gatt's free trade rules. To make matters worse, the Community is departing even from the MFA's already restrictive terms, they add.

Developing countries would also like the ministers to prevent MFA-style agreements from spreading to other industrial sectors such as steel.

Turkey moves on T-shirt war

BY METIN MUNIR IN ANKARA

MR SERMET PASIN, the new Turkish Minister of State for external economic relations, said he was planning a visit to Brussels at the end of September to resolve the "T-shirt war" between Turkey and the EEC.

Mr Pasin said, in an interview, that as associate member of the community Turkey expected to be treated "better than other countries."

"It could not tolerate the ban placed on the import of Turkish T-shirts and similar knitted ware by the EEC."

The ban, which the Community said was imposed to curb the flood of T-shirts, was introduced at the end of last month and will remain in effect until October 15. Turkish exporters claim their losses could be as much as $300m (£172m) and the damage to the clothing industry, the country's fastest growing, could be incalculable.

"I believe we can reach some sort of an agreement," said Mr Pasin. "However, if the ban continues we will have to retaliate."

Earlier this month the Community lifted tariffs on Turkish cotton yarn and Turkey reciprocated on EEC steel exports after agreement was reached for Ankara to limit its yarn exports to the EEC to 75,000 tons per annum.

Mr Pasin believed that one of the causes of the problems between Turkey and the EEC lay in the fact that since September 1980 Turkey has been under military rule. In Brussels he would explain that the generals intend to fulfil their promise to restore parliamentary rule by 1984.

"My purpose is to elevate Turkish-EEC relations to the optimum in this transition period," said Mr Pasin.

Martinair postpones Airbus plan

Martinair, the Dutch charter airline company, said it has postponed for two years the purchase of a third Airbus A-310 from Airbus Industrie in France, previously scheduled for 1985, AP-DJ reports from Amsterdam.

The postponement has been made in the light of persisting stagnation in the world airline industry, the company said.

Delivery of the first two airbuses will go ahead on schedule during 1984 said Martinair.

The company added it has ordered a second U.S. DC-9 type 82 aircraft from McDonnell-Douglas for delivery in April 1983.

Pan Am shelves flights

Pan American World Airways will suspend flights to Bangkok and Karachi on October 31 as part of a worldwide route reorganisation to return the airline to profitability, a Pan Am official said yesterday, AP reports from Bangkok.

The suspension was temporary, he said, with Pan Am officials hoping to resume flights to Bangkok when the airline returned to profitability.

ICL wins £2m order

About £2m-worth of British-made computer equipment is being bought by the Abu Dhabi national oil company (ADNOC), one of the world's leading oil producers.

The order, signed with London-based International Computers Limited, includes an ICL 2966 computer, destined for the Abu Dhabi Marine Operating Company.

The first of its kind to be installed in the Gulf, the 2966 is due to be operational by the end of the year.

Romania BAC aircraft unveiled

THE FIRST BAC 1-11 airliner assembled in Romania under licence from the British Aerospace Corporation (BAC) was unveiled on Friday, Reuter reports from Vienna.

A contract for assembling 22 of the planes with British-supplied parts was signed in 1979.

After production ends, Romania will make the aircraft on its own with engines supplied by the Rolls-Royce company.

Guy de Jonquieres reports on leading computer suppliers

Data processing revenues fall by 2%

THE NORMALLY buoyant Western European computer market has sagged recently due to the recession, according to the results of a survey carried out by Logica, a London computer consultancy, and published by the U.S. magazine Datamation.

The survey finds that the overall data processing revenues of the 25 largest computer suppliers fell by 2 per cent to $23bn (£13.2bn) last year after growing by almost 20 per cent in 1980.

Eleven of the companies suffered a fall in European revenues, measured in dollars, against only one (Memorex of the U.S.) in 1980. They included International Business Machines, whose revenues of $8.8bn accounted for more than a third of the total.

But the gloominess of the picture is exaggerated by use of the dollar as a yardstick, since it was rising against many European currencies last year. The performance of most European companies appears better when measured in their national currencies.

Moreover, though the market for large computers stagnated last year, several other types of product were in strong demand. The fastest-growing markets were for computer graphics, office automation equipment and minicomputers.

Measured in dollars, seven of the 10 fastest-growing computer companies last year were American. They were led by International Telephone and Telegraph, whose data processing revenues rose by 47 per cent, Digital Equipment (up 38 per cent) and Wang (up 34 per cent).

But measured in national currencies in which individual companies report, the order changed considerably. Six European companies featured among the top 10, headed by Olivetti, with a 52 per cent revenue growth.

No Japanese company qualifies for inclusion among the top 25 largest computer companies operating in Western Europe. At present Japanese companies selling large computers in Europe, notably Fujitsu and Hitachi, rely on distribution agreements with companies including ICL, Siemens, Olivetti and BASF.

A new entrant to the top 25 is Philips of the Netherlands, for which revenue figures were not available for last year's survey. It occupies ninth place, according to Datamation, "revealing itself to be a much more powerful force in the European data processing world than a lot of people expected."

Datamation suggests that uncertainties arising from the Mitterrand Government's decision to nationalise France's major computer companies has caused serious damage to their business, which will take some time to repair.

"Management has had little incentive to draw up strategy plans, and foreign customers have hesitated before buying their goods. U.S. and Japanese competitors did not miss this chance to make marketing inroads. The French concerns, as a result, will have considerable ground to make up."

The Datamation / Logica annual survey was launched last year. The latest survey is based on reported and estimated results of major companies in 17 Western European countries for calendar year 1981.

The survey included revenues from mainframe computers, mini - computers, micro-computers, terminals and peripherals, software, services, word processing equipment and data communications equipment.

EUROPE'S TOP COMPUTER EXPORTERS

1981 Rank Company	1980 Rank	Parent Company HQ	European Dp rev Cal Yr 1981 (in $m)	% change European DP rev FY '80-81 (in $)	% change European Dp Rev FY '80-81 (in accounting currencies)
1 IBM	1	U.S.	8,846	−6	−6
2 CII-Honeywell Bull	3	France	1,311	−9	+17
3 Siemens	2	W. Germany	1,296	−15	+4
4 Digital Equipment	8	U.S.	1,162	+38	+38
5 ICL	4	UK	1,067	−11	−5
6 Olivetti	5	Italy	1,006	+15	+52
7 Sperry Univac†	6	U.S.	850	+13	+13
8 Control Data	9	U.S.	765	+0.1	+0.1
9 Philips†	n/a	Netherlands	750	*	*
10 Burroughs	10	U.S.	742	+1	+1
11 NCR	7	U.S.	728	−10	−10
12 Nixdorf	11	W. Germany	678	−4	+21
13 Hewlett-Packard	12	U.S.	604	+8	+8
14 CIT Alcatel	14	France	556	+13	+30
15 Honeywell Infor. Systems	15	U.S.	497	+1	+1
16 Thomson-CSF	13	France	460	−7	+19
17 ITT	24	U.S.	233	+47	+47
19 Rank Xerox†	18	U.S.	219	−14	−14
19 Ferranti	20	UK	213	+39	+29
20 Kienzle	19	W. Germany	207	−0.5	+5
21 Datasaab	17	Sweden	203	+5	+25
22 Plessey†	16	UK	203	+5	+8
23 Wang	n/a	U.S.	201	+34	+34
24 Data General	22	U.S.	171	+0.6	+0.6
25 Memorex†	21	U.S.	158	−10	−10

n/a Not applicable. * Not available. † Estimates.

Source: Datamation/Logica

Toshiba signs E. German technology deal

By Leslie Colitt in Berlin

TOSHIBA has signed a contract with East Germany's Industrie-Anlagen-Import for the delivery of equipment and technology worth DM 82m (£19.1m) for an East German plant which is to produce hi-fi equipment.

The Japanese Export Import Bank provided a loan of the same amount to the East German Foreign Trade Bank which the East German news agency said was provided on "advantageous conditions."

Toshiba will deliver machinery and technology, produce radios and cassette recorders and buy back East German mechanical and electrical engineering products to the same value.

World Economic Indicators

TRADE STATISTICS

		July '82	June '82	May '82	July '81
UK £bn	Exports	4.546	4.475	4.625	n/a
	Imports	4.380	4.482	4.740	4.307
	Balance	0.166	−0.007	−0.115	—
		June '82	May '82	April '82	June '81
U.S. $bn	Exports	18.822	18.218	17.843	19.750
	Imports	21.310	20.558	17.387	22.005
	Balance	−2.488	−2.340	+0.456	−2.255
Japan Yen bn	Exports	2,785	2,752	3,003	2,787
	Imports	2,500	2,537	2,786	2,583
	Balance	+285	+216	+217	+204
W. Germany DMbn	Exports	36.194	35.580	36.500	32.362
	Imports	31.426	30.580	33.060	30.689
	Balance	4.768	5.000	3.440	1.673
France FFr bn	Exports	55.40	51.85	53.38	51.54
	Imports	67.18	54.77	61.63	53.42
	Balance	−11.78	−2.92	−8.24	−1.88
		May '82	April '82	March '82	May '81
Italy Lire bn	Exports	8,039	8,847	8,933	6,192
	Imports	9,950	10,163	10,040	9,064
	Balance	−1,911	−1,316	−1,107	−2,872
Belgium BFr bn	Exports	186.05	202.54	213.76	161.19
	Imports	202.82	228.44	254.85	176.27
	Balance	−16.78	−25.91	−36.08	−15.09

Source: OECD, UK Dept. of Trade.

SHIPPING REPORT

Kharg Island bombing hits tanker market

BY HAZEL DUFFY

THE BOMBING raid by Iraqi forces on the Kharg Island terminal produced a flurry of activity in the tanker market last week. Brokers reported a fixing of Worldscale 70 on a VLCC from Kharg Island to the West.

But the big increase in cargo war risk rates at the end of last week was expected to act as a deterrent to owners lifting cheaper Iranian crude.

E. A. Gibson reported that a more accurate picture of the tanker market was to be obtained from the fact that Gulf chartered a 220,000-tonner loading at Kuwait for Worldscale 19.75. The broker anticipates, however, that rates will tend to harden as the availability of large ships in the area continues to be depleted, assuming the increase in the rate of enquiries on behalf of charterers lifting out of non-Iranian ports increases, as expected.

Another broker, Galbraith Wrightson, reports rates moving up slightly on the UK Continent area, and believes the prospects are about right for the UK and European to U.S. cargo business to advance further this week. No great improvement in demand is reported from the Indonesian and West African markets, with a 130,000-tonner being fixed out of Indonesia to the Bahamas at Worldscale 30.

Dry cargo fixtures in the past week are reported to have been at "depressing" rates, although one broker says there is just a hint that the Gulf/Continent rate, for instance, may have bottomed out as several prominent grain charterers are in the market for consecutives Gulf/Continent.

H. P. Drewry says in its latest edition of Shipping Statistics and Economics that there is now a strong suggestion that dry cargo rates have fallen to a level where the decline must bottom out.

This is because they seem to have reached the point where owners would have to consider the laying up of tonnage as a less costly alternative to trading. It is thought charterers are unlikely to be able to force rates much lower without significant losses to the active fleet.

BL and Vauxhall-Opel to cut discount to dealers

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

BL AND Vauxhall-Opel, the General Motors subsidiery, are to follow Ford's example by cutting the discount they give their dealers on new cars.

Ford cut its main dealer margins from 18.5 per cent to 17 per cent in April as part of its heavily promoted "product and price re-alignment programme."

Neither of its main UK-based competitors followed, but BL warned at a dealer conference in May that it might be forced to.

Austin-Rover, BL's volume car offshoot, and Vauxhall-Opel will make product changes next month and will take the chance to reduce dealer margins on some models.

The reductions are likely to be spread throughout the Austin-Rover and Vauxhall-Opel ranges early next year.

The UK-based manufacturers are attempting to bring nominal car prices in Britain closer to those listed on the Continent.

They have held their prices steady for much longer than would be expected with inflation at about 7 per cent annually.

They have begun to squeeze their component suppliers, urging them to cut costs and reduce prices. And dealers are being told they must bear part of the load.

In the past manufacturers have restricted cuts in dealer margins to low-cost models. Austin-Rover gives only 14 per cent on the most inexpensive Metro, 17½ on the top-priced ones, and 18.4 per cent on other Austin-Rover cars.

Once Ford led the way with across-the-board cuts in its margins the other manufacturers were bound to follow, given Ford's influence on the UK market with its 30 per cent-plus share.

Dealers will have difficulty putting up objections. In the current scramble for sales they have been giving discounts — often substantial — to any new-car customer who cares to ask.

A spokesman for the Motor Agents Association said at the weekend: "Naturally we are concerned about any erosion of the dealers' margins. But I fear that, because of the tough market, the dealers have been giving a lot away already."

The manufacturers' attempts to bring nominal car prices in Britain more into line with those on the Continent are designed not only to discourage unofficial imports of cars. There is a chance that early next year the European Commission could introduce regulations that tax-free prices for any particular car should not vary by more than 12 per cent between one EEC country and another.

South-East 'optimistic'

BY DAVID CHURCHILL

AN OPTIMISTIC survey of business prospects in London and the South-East is published today by the London Chamber of Commerce and Industry.

The Chamber's 22nd survey of manufacturing industry in the region suggests some "guarded optimism" about economic recovery, especially among small and medium-sized companies.

About 40 per cent of the 367 companies questioned reported increased orders. Only 22 per cent indicated a fall.

Sectors such as electrical engineering, chemicals and metals, instrument engineering, and rubber and plastics all showed increases in domestic demand of 40 to 55 per cent.

Production rose in 29 per cent of the companies surveyed but fell in 14 per cent.

The survey shows a slight fall in future confidence. About 38 per cent of the companies surveyed said they were more optimistic about the next few months, just under 25 per cent said they were less optimistic. In May about 43 per cent were optimistic, and 17.8 per cent pessimistic.

The chamber says the figures overall suggest that the performance of manufacturing companies in the region has been relatively stable and therefore modestly encouraging.

Esbjerg ferry service to start

By Hazel Duffy, Transport Correspondent

A TWICE-WEEKLY roll-on, roll-off service from Great Yarmouth to Esbjerg in Denmark will start in October, offering a 60 trailer vessel.

Portlink Ferries, based in Yarmouth, has been formed to run the new service by a consortium from the UK, Holland, and Denmark. It will offer a quay-to-quay service but will not become involved more extensively in freight movement. The major roll-on, roll-off ferry operator between the UK and Denmark is DFDS, which operates out of Harwich.

Where container traffic has led to growth

Andrew Fisher looks at a port where profits have soared and £32m has been spent on expansion

PORTS IN BRITAIN

Felixstowe

THE PORT of Felixstowe is dominated by steel boxes. Some are grey like those of Sea-Land, the big U.S. shipping company. Others are red, blue, orange, white, or take their colour from the name of the expansion-minded Taiwanese line, Evergreen, whose containers are piled high on the quayside.

For the Suffolk port, containers have brought sizable growth and earnings since Britain's first container quay, all 500 ft of it, was opened there in the late 1960s. Profits of the port, owned by European Ferries—the Townsend Thoresen company—soared last year from £1.1m before tax to £5.1m.

With its east coast location, near to the Continent, its peaceful labour relations in an industry not renowned for harmony, and its long experience in the container business, Felixstowe has clear advantages over some of its rivals.

Being in the private sector, notes Mr Geoffrey Parker, the port's managing director, also means it can be more flexible than those owned by the state or local authorities—"we can probably react a little quicker."

This year, Felixstowe is benefiting from the £32m expansion which was completed last summer and added two new container terminals to the port—Dooley, and Walton, the latter operated by a subsidiary of the C. Y. Tung Group of Hong Kong.

More money is being spent on new handling equipment for Felixstowe and on expanding the storage area for containers. A second Freightliner terminal to handle containers by rail is also being built for about £3.5m, with a Government grant covering 40 per cent.

But the main expansion push is over for the moment. The port is now consolidating, says Mr Parker. "We want to see a steady return on the investment and then consider expansion. We will expand if demand is there."

He believes that there is still growth in containers. "True, there are too many container berths, but not all in the right place." If the right opportunity came up, the port could expand into other activities. This would only be into "clean, tidy cargoes" such as grain rather than heavy engineering products.

But it is containers that make Felixstowe tick right now. Last year, it handled nearly 350,000 of them — a rise of more than 40 per cent over 1980. Much of the growth in traffic, and thus profits, came from the new terminals.

While Felixstowe was forging ahead, one of its main competitors, Southampton in the centre of the south coast, was afflicted last year and for some of 1982 by costly labour disputes. These have died down now, so Southampton is likely to see its container volume move up sharply again.

A helping hand might, ironically, come from the C.Y. Tung Group which also plans to invest several million pounds in a venture with Southampton to re-equip two of its container berths. Mr Parker reckons this and the Tung investment in Walton will be compatible—"I don't think it will affect operations in Felixstowe."

He says Felixstowe did not benefit particularly from the labour upsets at Southampton, though it may have received some cargoes diverted from other vessels. "We were busy anyhow."

Felixstowe—port of the £32m development. Roger Taylor

This year, with the new terminals going for a full year, Felixstowe's profits are likely to rise again. The port recently received a fillip with the decision of Hellenic Lines of Greece to operate entirely out of the Suffolk port and drop its long-standing link with London.

Felixstowe's nearness to the Continent means it is ideally sited for shipping companies which want to run so-called feeder services to and from continental ports like Rotterdam where their deep-sea operations may be based.

But, says Mr Parker, "we are getting more and more into the big league." He estimates that about 55 per cent of Felixstowe's trade comes from routes to the Far East, India, the U.S. and Scandinavia. The rest comes from feeder and near European traffic.

Apart from Sea-Land and Evergreen, its major users include United States Lines, OOCL (Orient Overseas Container Line) which is part of the Tung empire, K Line of Japan, Dart, Containerline owned by Tung and CMB of Belgium, Canadian Pacific which has a trading link with Dart, and West Germany's Hapag-Lloyd.

With the addition of the Dooley and Walton terminals to the older Landguard terminal, Felixstowe can now handle annually 750,000 container units or TEUs (20 ft equivalent units), the industry's standard measurement.

To move the containers inside the port, Felixstowe uses gantry cranes on large rubber tyre wheels which lumber up and down the open blocks of stacked boxes lifting each one off its pile and on to a waiting lorry.

These are replacing the straddle carriers, which look like big yellow travelling bedsteads and used to move more freely about the port area. Felixstowe is spending about £6m on new container cranes and land resurfacing for container storage, as well as rail-mounted cranes for the Freightliner terminal.

The port also has a thriving passenger business, last year carrying 1.07m people on services to Belgium and Sweden against 904,500 in 1980. Apart from Townsend Thoresen, with services to Zeebrugge, Tor Line operates to Gothenburg. Roll-on/roll-off freight is also important; traffic fell slightly in 1981 from 2.55m tonnes to 2.52m.

Although the port suffered from an overtime ban this year during pay talks, which ended with an 8½ per cent increase and a profit-sharing scheme, its industrial relations are fairly harmonious. One reason, as Mr Parker sees it, is that only one union, the Transport and General Workers, operates there.

Felixstowe's 1,000 dockers are not in the national dock labour scheme, which effectively guarantees dockers jobs for life, though thousands in other ports have taken advantage of generous redundancy terms. Mr Parker sees no reason why they should be in the scheme, though some would like to. "We have an efficient working force. There's no reason why they shouldn't be in jobs till they are grey-haired old men."

EEC to resume debate on regional aid distribution

BY ANTHONY MORETON, REGIONAL AFFAIRS EDITOR

THE Common Market regional affairs directorate returns to Brussels this week to pick up the pieces of a proposal, rejected in the summer, which would have concentrated regional aid in the less-prosperous member countries.

The proposals were to reallocale the quota section of the European Regional Development Fund so that only the four "poor" members—Italy, Ireland, Greece and Britain—would have benefited. They failed largely because of opposition by France, supported by Belgium.

The Commission proposed that to maximise the benefit from regional aid fewer areas would be helped. In Brilain this meanl Yorkshire and Humberside and Devon and Cornwall, both containing assisted areas, would have been excluded from European regional aid.

The Commission's directorate dealing with regional affairs meets again on September 9. It is uilikely that any new policy will emerge for at least a year.

When it does the likelihood is that at least token quotas will be available for every country, which will disappoint Britain since the UK stood to gain from the revised procedure.

The British Government was in favour of the principle of more concentrated assistance bnt, at the same time, did not want Yorkshire and Humberside or Devon and Cornwall excluded.

The Commission's failure to push through its proposal will, however, be welcomed in both English regions. They lobbied hard against the changes, pointing out not only the need to improve their infrastructure but also to undertake projects which would create work within their areas.

The weakness of the Common Market proposels was that they were based on unemployment levels existing in 1977.

Quota section aid should, the Commission suggested, be reserved for those regions suffering from serious structural problems as defined by gross domestic producl per head and the rate of long-term unemployment.

Since 1977 both regions have suffered heavily and seen their unemployment figures rise sharply.

At the September 9 meeting the Commission is likely to reaffirm its intention to achieve a substantial concentration of regional aid in the less-prosperous areas.

Counting the cost of dying

THE COST of dying in Brilain is as unpredicteble as its timing, according to the Odd Fellows Friendly Society.

Wide variations between between regions showed up in its annual survey of funeral costs. The price of a "cheap" funeral with cremation ranged from £259 in Exeter to £497 in London. Wales and the West country offered the most reasonable prices and London the bighest.

Most prices were about £400, except in London. The addition of a headstone or plaque put the price np considerably.

Varied prices

Prices for individual services varied widely. Coffin prices ranged from £35 to £89. One Scottish undertaker, who was asked the price of his cheapest coffin, replied: "£80 for a pauper's coffin."

The society says savings can be made by obtaining estimates from several funeral directors well before there is any urgent need.

Shopping around is not easy, however. Many funeral directors refused to give prices over the telephone. Many of those who did would not break costs down.

The survey says: "Most people who are arranging a funeral will be reluctant to go into detailed costings and will accept an overall figure based on the cost of the coffin.

The Exeter funeral, the cheapest detailed costing the survey could find, included: chapel of rest, £15; coffin, £38; hearse and four bearers, £28; limousine for mourners, £10; professional services, £60; cremation fee £60; two doctors' certificates, £31; minister's fee and expenses, £17. Total: £259.

Receivers consider offers for Carron Ironworks

FINANCIAL TIMES REPORTER

RECEIVERS FOR Carron Ironworks, Falkirk, Scotland, are examinining the responses to their invitation for offers against a deadline which expired at 5 pm yesterday. Their reactions to the offers could be made public this week after they have "analysed the situation in great detail."

The workers whose more than 600 jobs are threatened by closure will have to wait several days, therefore, before discovering whether the 223-year-old company will be pulled from the brink.

Representatives from a French company were shown around the plant yesterday, hours before the deadline was due to explre.

The Scottish Development Agency, which has been holding talks with a management consortium, said: "We have spoken to a number of parties, some as late as Friday, and these incinde a number of companies and e number of consortia."

A consortium of eight managers at the plant had been trying to raise sufficient cash to make an offar for part of the works, which would be attractive to the receiver. It is believed they are interested in the stainless-steel sinks and pressed-steel baths dlvisions. It was not clear whethcr the consortium made a bid yesterday.

Mr Harry Donaldson, a shop steward, said he hoped the receiver would give some indication of the future of the ironworks later this week. "The workforce will start to get frustrated if we don't hear what's happening. Our future depends on it."

Local representatives Mr Harry Ewing, Labour MP for Stirling, Falkirk and Grangemouth, and Mr Martin O'Neill, Labour MP for Clackmannan and East Stirlingsbire, arc hopeful the company can be saved and are waiting anxiously for news.

Mr O'Neill said: "Hopefully somebody will make an attractive offer which will secure as much employmenl as possible."

Since the receivers were called in 122 jobs bave been axed, reducing the total workforce to 615.

World steel-making falls to 30.8m tonnes in July

BY ALAN PIKE, INDUSTRIAL CORRESPONDENT

WORLD STEEL production last month dropped by 18.3 per cent compared with July 1981, to 30,804,000 tonnes, according to International Iron and Steel Institute-compiled figures.

Total prodnction for the first seven months of this year stood at 241,156,000 tonnes, a drop of 10.4 per cent on the corresponding period of 1981.

The biggest change in the July 1981 to July 1982 period was in the U.S. There production was down by 43.9 per cent. This drop was almost equalled by Caneda, which suffered a reduction of 40.3 per cent.

In the EEC as e whole the decline was 17.3 per cent. This total included reductions of 21.3 per cent in Brilain, 21.4 in Belgium, 19.8 in West Germsny and 16.9 per cent in France. The Japanese steel industry suffered a 6.1 per cent drop in Jnly ontpnt, compared with last year.

Food industry's profits lowest for two years

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

A SHARP fall in the profitability of UK food manufacturers is revealed in the latest survey of the indusry, published by the Food and Drink Industries Council.

The survey, prepared for the council by the Institute of Grocery Distribution, shows that in the first three montha of thia year food manufacturers' profit margins fell to their lowest level for two years.

Moreover, the companies' profit margins in the first quarter of this year were some 44 per cent down on those in the third quarter of last year.

The survey of major food companies found that pre-tax profits as a percentage of sales in the first quarter of this year were 3.21 per cent compared with 4.45 per cent in the first quarter of last year. At its peak in the third quarter, the margin was 5.73 per cent.

This year's first-quarter figures are the lowest since the first quarter of 1980, when the profit margin was 2.22 per cent. On a seasonally adjusted basis, the profit margin in the first quarter of this year was 3.83 per cent, against 5.30 per cent in the first three months of last year.

No profitability figures are yet available for the period since March, but few in the industry expect any major increase in profit margins this year. "A change in the present trend is unlikely in the immediate future," the council admits.

The decline in food companies' profitability has come as a disappointment to the industry after the improvement in the first nine months of last year. But the slump began in the November-December period, when the figures revealed the worst fourth-quarter result since 1978.

"We are seeing the re-emergence of a situation which became acute during much of the 1970a," says the council. "Difficulties in obtaining satisfactory sales prices are reducing profit levels just at a time when increased working capital is required.

"In turn, borrowings have increased while interest rates are still bigh, resulting in further pressure on profit levels."

The council also puts some of the blame for the industry's low profitability on pressure by retailers. Although the volume of retail sales Index for food retailers in the six montbs to March, 1982, remained steady, it points out, this was sustained only by low increases in food prices. For example, during that period the Grocer price index for processed foods rose by only 3.7 per cent.

"Distributors are ahle to ensure that a 'soft' market sitnation is reflected in the prices which manufacturers are able to ohtain, and the lowering of manufacturers' profits is the consequence," the council says.

For the future, the council believes that "markets will remain difficult and cost pressures, particularly in the form of working capital requirements, are likely to remain higher than a year ago."

It points out that many of the price rises resulting from the recent EEC farm price settlement still have to work their way through lbe system. "It should be remembered that they were the highest support prices awarded for many yeara," the council adda.

Call for better measure of drug value

By David Fishlock, Science Editor

A call for more refined methods of measuring the impact of modern drug therapy on health has been made by the Office of Health Economics, think-tank of the British pharmaceutical industry.

It believes "health indices" may have a part to play in the assessment of medicines when they are first used on patients.

In a report just pnblished the OHE finds that medicines developed over the last 30 years "have made a significant impact In improving well-being in subjective terms."

It claims its study is one of the "few systematic attempta to measnre the benefits" of treatment by drugs.

There is growing concern about the cost of medical care, and one way of justifying the rising expenditure is to demonstrate more clearly the benefits, it says.

One yardstick It uses for "quality of life" is the need to be in hospital for treatment. Between 1959 and 1979 the number of heds In British bospitals fell from 549,000 to 456,000.

The average length of stay in hospital in England fell from 30.1 days in 1965 to 20.9 days In 1977.

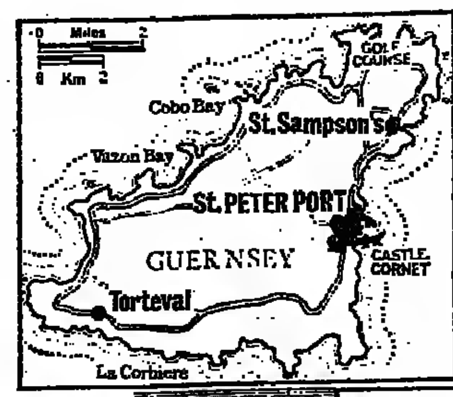
The higgest single factor was the decline in heds — 30,000 in 1952 to 625 In 1979 —for tuberculosis.

Another hig reduction was made In beds for psychiatric patients — 154,000 in 1954 to 78,000 in 1979 — following the introdoction of lbe drug chlorpromazine.

OHE Briefing 19 — Medicines and the Quolity of Life, Office of Health Economics, 12 Whitehall, London SW1A 2DY, 50p.

No substitute for flowers

Willa Owen reports on plans for a broader-based island economy



AROUND BRITAIN: GUERNSEY

FOR SEVERAL years Guernsey planners believed a gradual contraction of the island's traditional horticultural industry and the closure of outdated greenhouses would he good for its economic health. Rising fuel prices and tougher Dutch competition in the UK market, however, have led to a shrinkage greater and faster than expected.

This haa introduced unemployment, particularly among the unskilled, for the first time since World War II. The industry employs 2,400 full-time, half the 1966 figure.

Mr Stan Brouard, island labour and welfare chief, expressed fears recently that 100,000 sq ft of glass might be out of production by next winter with consequent job-losses.

With unemployment running at 4 per cent of the working population in the past two winters, Guernsey's Government has launched a programme to support the development of light industry.

In the past the labour needs of tomato — and flower — growers restricted encouragement of rival types of producer. The first modern industrial plant was opened in 1958, by Tektronix, the U.S. oscilloscope-maker, wben it moved in to the island.

Tektronix, employing about 600, Is still the largest manufacturing unit in Guernsey. Once, its competitive pay rates were regarded with suspicion by many growers.

In the 1970s the island government set up a working party to attract more light industry in a modest way. Several small companies started up, variously employing about 10 to 150 full-time staff. Their activities included electronics, packaging, pharmaceuticals and hoat-building.

The new drive for a hroader-based economy has led to the setting-up of the Department of Commerce and Industry. Backed by an Initial budget of £125,000 it is charged to promote the island as a centre for light industry, to help local companies sell products in the UK and abroad, and to encourage expansion of existing businesses.

The departmeot has received more than 350 inquiries. Four companies began operating by the end of last year. Another six started this year.

Meanwhile 42 businessmen have formed a self-help organisation, the Guernsey Exporters' Group. The association is a framework for the pooling of ideas and of experience in overseas markets other than the UK. It provides a corporate voice for the island's exporters.

Guernsey's chamber of commerce recently gave identity to the Manufacturing sector by lauoching a Made in Guernsey origin-mark, designed to show the world the island is a producer of goods as well as of tomatoes and holidays.

The chamber would like to see financial support from Guernsey's government, in grants or similar Inducements for industrial investment. Department of Commerce and Indnstry officials, however, believe Guernsey has more immediately appealing advantages.

These include 20 per cent maximum tax rate on business profits and personal salaries.

A fuoction of the new department is to smooth the way so that a business moving to the island can do so with minimum frustration and loss of time.

Electronics is considered a particularly suitable industry for Guernsey because it exports at high value-added product—"equivalent to a Rover car," as one official put it.

Mr Bruce Riley, the island's commercial relations officer, said light industry was a more efficient land-user than horticulture, which employed fewer people per acre.

The drive to encourage more companies, however, was not designed as a substitute for horticulture, he emphasised. "To stay viable Guernsey needs to kep its horticultural industry and to develop manufacturing."

BAe wins £3m Scots deal for Jetstreams

By Michael Donne, Aerospace Correspondent

THE FIRST British order for the British Aerospace Jetstream 31 twin turho-prop small airliner has been placed by a Scottish company, it was announced yesterday.

In a deal totalling £3m, Peregrine Air Service, an Aberdeen-based North Sea oil air charter company, is to buy one aircraft and discuss a contract for a second.

The first will be delivered in December and delivery of the second is scheduled for next February. Both will be the 18-seat commuter version.

British Aerospace has now made seven Jetstream 31 sales, with a further five options and an additional five reservations. Until yesterday, all the sales were to the U.S., West Germany and Norway.

The Jetstream 31 was originally designed by the former Handley Page aircraft company in 1965. But full production at the British Aerospaco factory at Prestwick, Ayrshire, did not begin until last year. It won its certificate of airworthiness last June.

Output at Prestwick is being built up to at least 25 aircraft a year by 1984.

Mr Brian Thomas, managing director at Prestwick, described the deal as "particularly gratifying" and said: "It is very exciting when a Scottish aircraft manufacturer can look forward to a Scottish operator flying its aircraft through the support of Scottish financial institutions."

British Aerospace had now sold all the Jetstreams available for delivery this year and had made "reasonable Inroads" into producing those available for delivery next year, he added.

Sails trimmed to weather storm

Anthony Moreton looks at the way a famous sailmaker is trying to cope with the effects of the recession

ANYONE who has ever messed about in boats knows that the name Hood is synonymoua with quality. Hood is one of the best sailmakers. "The best," according to Bryan Axford.

Bnt he is biased. He is joint managing director of Hood Sailmakers, of Lymington, the British arm of a company started in the late-1940s in New England by Ted Hood.

Hood mainly makes sails for the biggest and best boats, hut the company's overwbelming association with the top end of the market perturbs Axford. "We make sails for middle boats and want people to know we can make for them as well," he says.

"We may be the Rolls-Royce of sailmakers but we will talk to anyone about their problems and we make sails down to racing dinghies. This is a very competitive business and we are very competitive in it."

Making sails is a highly specialised business. Ted Hood started in America where he saw a gap in the market. Later, because of frustration with his suppliers and the quality of the Egyptian cotton they were offering him he began to weave his own cloth.

The company arrived in Britain in 1967 aod Axford joined a couple of years later. The concern was built up to a staff of 60 to 65 but the recession has hit Hood, like every other company in the country, and it is now down to 51, of whom 35 are production people.

Surveying the Hamble river and acrosa the Solent to Cowes Bryan Axford says: "This is the last corner of England to notice there ia something called a recession.

"But it has got through at last and we have had to trim our production back. Since 1980 we have probahly had a downturn of about 25 per cent and this year will certainly be lower than last year.

"Most of the rationalisation has come about, I am glad to say, through natural wastage and we have managed to stay profitable. It is not a profit we are proud of, but it is a profit, and by the standards of the rest of the industry it's not bad."

Terry Kirk

Mr Bryan Axford, joint managing director of Hood Sails, on his yacht.

That profit has been made on a turnover of about £1.5m, of which 40 per cent comes from overseas. But turnover has been static for the past two or three years, wbicb means that in real terms the company has slipped.

In normal times the U.S. parent expects to receive a royalty from Lymington. But the Americans have gone easy on royalties in the recession to keep their British arm in the black.

Because so much of the company's work is for the top end of the market Hood Sailmakers has been badly hit by the depression on the stock market. "Our customers tend to be particularly affected by the market, especially when many of tbe big hoats are company owned.

"Both companies and rich individuals have stopped building new boats aod so we have been forced to rely increasingly on replacement work.

"We thought we might be pulling out of the recesaion this year. Perbaps we were too much influenced by what we read in the papers. But this year has been, if anything, even more difficult than 1981."

If there has been one change for the hetter, from the company's point of view, it is that it is easier to get young people to join the company.

In the middle 1970s Bryan Axford would put an advertisemeot in the local paper for weeks on end without getting a siogle reply. "Nowadays, one advert hrings io between 30 and 40 replies.

"It is a very sad situation. Some of those who apply have been out of work for at least six months. Everyone who writes to us gets a reply, but we just do not have the work to enable us to take them on."

The keen deaire to work for Hood Sailmakers does not only stem from the recession. A decade ago tbe company, like its competitors, paid under the national average. Today it offers rates comparable to those paid by other industry in the area.

Axford has not gone in for any of the schemes the Government bas been pushing. "We have not employed anyone under the Youth Opportunity Programme, though I did consider it earlier this year. The Ministry was very interested at the time, of course: Tbis winter, though, we might take on one or two, depending on our situation."

INSURANCE

Plugging tax loopholes in life deals

A comprehensive new system is needed, writes Eric Short

THE Inland Revenue urgently needs to get together with all sections of the life assurance industry to sort out the system of taxation for contracts, particularly that related to lump-sum investments.

The controversy over second-hand bonds has highlighted the confusion and has shown that the system of legislation and "gentlemen's agreements" does not work.

Life assurance has a variety of tax concessions applicable to the life funds and to the individual life contracts when they are cashed in. The present system offers the tax-avoidance specialist a fruitful field. An artificial combination of life contracts can minimise or even eliminate tax liability for the investor in a manner never intended by the Revenue.

The traditional life companies which are members of the Life Offices Association (LOA) or the Associated Scottish Life Offices (ASLO), have an unwritten "gentleman's agreement" with the Revenue not to abuse these tax concessions or to get involved in the tax-avoidance business through artificial arrangements.

It is difficult to draw an exact line on tax avoidance but the rule of thumb seems to be that if the investor himself can put together the separate contracts then it is acceptable.

The LOA and ASLO officials have regular informal meetings with the Revenue and each knows the other's views. Some non-member life companies also abide by this agreement, but most non-members refuse to be tied down by it. They are very much involved in designing tax-efficient schemes and are not worried in the least by the concept of artificiality, as long as the scheme complies with current legislation.

The past decade has seen the "entrepreneurial" life companies produce one tax-avoidance scheme after another. These schemes flourish for a while and sell well before the Revenue gets around to taking legislative action.

This delay is beginning to infuriate the traditional life companies which are constantly saying that their sales suffer by continuing to abide by the agreement.

The Revenue seems to take an inordinately long time first to discover that such schemes exist, then to ascertain that sales are sufficiently widespread to seek the necessary parliamentary time to stop the loophole.

Often the Revenue privately admits that it was unaware of the existence of a tax-avoidance scheme until its officials heard about it through the media.

So the LOA and ASLO take upon themselves the rôle of informing the Revenue that such schemes are being marketed and of asking for action to be taken as soon as possible. This infuriates the non-member life companies who take the line that the associations have no right to interfere with the marketing and to dictate to the Revenue over tax legislation.

These views, which have split the life assurance industry, have been highlighted by the second-hand bond controversy. This was a clever device to minimise tax on a life bond through a highly artificial sales procedure. The association companies saw bond business increasingly go to the non-member companies over the past couple of years while the Revenue did nothing.

When the Revenue at last moved in June it seemed to be making up the rules as it went along, usually at the behest of the LOA. The industry is faced with a highly complex piece of legislation in next year's Finance Bill.

The situation is highly unsatisfactory for the long-term good of the UK life assurance industry. The old system of abiding by the spirit of the legislation is not working. It needs to be replaced quickly by comprehensive tax legislation for life assurance.

APPOINTMENTS

Senior post at Vickers

Mr Rob Verguson, a founder member of the Association of Hydraulic Equipment Manufacturers, has been appointed managing director of VICKERS FLUID POWER et South Marston, Swindon. He joined Vickers hydraulics division in 1977 as director of sales and marketing, before becoming assistant managing director of a re-formed Vickers fluid power division.

★

Brigadier Anne Field has been appointed from September 1 as a regional director of the Greatar Londoo regional board of LLOYDS BANK. Brigadier Field joined the ATS in 1947 and retired as director of the Womeo's Royal Army Corp.

★

Following the acquisition by Charter Consolidated of 65.24 per cent of South Crofty, the following appointments have been made to SOUTH CROFTY'S board: Mr A. J. W. Owsion (now also chairman of South Crofty) an executive director of Charter and bead of its mining division; Mr J. V. Cleasby, an alternate director of Charter, consulting engineer and head of its technical department; Mr J. A. Pool, a manager of Charter and head of its group financial planning department; and Mr G. Gardiner, manager—mining admioistration in Charter's mining division.

★

Mr Donald Davidson has been appoioted managing director of ITEL SOFTWARE SYSTEMS. Mr Davidsoo has responsibilities throughout Europe and is curreotly launching the company in the UK.

★

The Educatioo Secretary has appoloted Lord Cranbrook, Professor Ronald Edwards and Professor John Simpson as new members of the NATURAL ENVIRONMENT RESEARCH COUNCIL.

CONTRACTS

Wiggins Group wins £5m orders

The contracting division of tha WIGGINS GROUP has won over £5m worth of contracts. Tha largest is for houses, flats and bungalows at St Mellons, Cardiff for Cardiff City Council. This contract, worth over £2m, was won by the Gee Walker and Slater office at Bridgend. Gees are also buildiog 20 advance factory units at Hirwaun for tha Welsh Development Agency, costing £496,000, and 30 bungalows at Hengoed for Rhymney Valley District Council worth £625,000.

In Essex, Wiggins Construct (Eastern) has started building an old people's complex at Stanford-le-Hope for Thurrock Borough Council, valued at £900,000, and grouped dwellings at Wissants (Phase 2) Harlow, for Harlow District Council, costing £400,000.

Wiggins Wessex Construction has taken two contracts in Hampshire, one being a residential development at Alton for Hanover Housing Associatioo worth £462,000, and the other, for Wessex Regional Health Authority, is the conversion of an existiog house to a residential unit for children, valoe £140,000.

★

The Abu Dhabi National Oil Company (ADNOC) has signed a contract for a 12 megabyte ICL 2966 computer to be iostalled in the Abu Dhabi Marine Operating company (ADMA-OPCO), one of the group's operating companies which produces the majority of Abu Dhabi's offshore oil. ADNOC has also considerably eohanced other computer facilities in the group with a total order worth more than £2m. The 2966 will be used by ADMA-OPCO for the development of systems under the VME 2900 operating system and will also operate under CME. It will also provide e back-up and load sharing service to ADNOC's computer centre which currently comprises an ICL 2972 and a 2982.

★

MARSHALL CONSTRUCTION GROUP from Elland has been awarded a contract worth around £3m for a hypermarket for J. Sainsbury at Greengates, Bradford. The development consists of a 94,000 sq ft retail unit encompassing both e food supermarket and a Home Base DIY building. Work commenced on August 16 and is doe to be completed in May 1983 and the fitting out period of the supermarket will enable the whole complex to be open for trading in November 1983. The contract was awarded to Marshall Construction Group hy Antler Developments, a West Yorkshire based property company, who are acting on behalf of a Swiss financial consortium for carrying out the total development.

★

BRC of Stafford has received an order worth over £1m to supply reinforcing steel to be used in the improvement of the A55 North Wales coast road from Llanddulas to Glanconwy. The order, placed by Fairclough Civil Eogioeering of Adlington, Lancashire, iovolves nearly 5,000 tonnes of high specification cut and bent bar.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

YESTERDAY

DIVIDEND & INTEREST PAYMENTS— [illegible]

TODAY

COMPANY MEETINGS— [illegible]

BOARD MEETINGS— [illegible]

DIVIDEND & INTEREST PAYMENTS— [illegible]

THURSDAY SEPTEMBER 2

COMPANY MEETINGS— [illegible]

BOARD MEETINGS— [illegible]

DIVIDEND & INTEREST PAYMENTS— [illegible]

FRIDAY SEPTEMBER 3

COMPANY MEETINGS— [illegible]

BOARD MEETINGS— [illegible]

DIVIDEND & INTEREST PAYMENTS— [illegible]

SATURDAY SEPTEMBER 4

[illegible]

Congress faces three options on split with NEDC

BY JOHN LLOYD, LABOUR EDITOR

BATTLE LINES for the major debates at TUC Congress next week have been drawn over the past week in a series of private meetings between union leaders and TUC officials.

The two most divisive issues—the structure of the TUC general council and the TUC's relationship with the National Economic Development Council—have resisted all attempts to bridge the gaps between the main protagonists. On incomes policy, the TUC is likely to continue to look both ways at once—though it may also commit itself to a wages plan aimed at eliminating low pay.

Motions opposing proposals to be presented to Congress by the general council, which set out a system for automatic representation on the council of all unions with more than 100,000 members, have been combined in one resolution.

This wil call for an examination of alternative plans for structural reform, with particulsr emphasis on improving representation from a wide range of industries through a revised trade group structure.

Amendments to this, from the Post Office Engineering Union and the Association of First Division Civil Servants, will also form one resolution. This calls for the "automaticity" principle to be implemented but to be reviewed after five years.

Congress will face a choice of three positions over the NEDC. The Iron and Steel Trades Confederation, untypically, takes the most extreme position, arguing that the TUC and its affiliated unions shonld "withdraw representation from all official and semi-official (Quango-type) government bodies, including the NEDC."

The print union Sogat '82 and the white-collar engineering union AUEW-Tass will back a composite mntion arguing simply for withdrawal from the NEDC. The Association of Scientific, Technical and Managerial Staffs, however, will proposa that the issue of membership of the NEDC be deferred until after the next election

A set-piece debate is also expected on a motion from the construction section of the Amalgamated Union of Engineering Workers. This reaffirms the TUC's commitment to free collective bargaining

An amendment to this from the ISTC "notes with alarm the current problems arising from free collective bargaining under the present government" and seeks support for discussions on earnings and incomes within the framework of the TUC-Labour Party liaison committee's document Economic Issues Facing the Next Labour Government.

But union leaders anxious to find grounds for constructive talks on pay with tha Labour Party, avoiding the simple dichotomy between free collective bargaining and incomes policy, are looking to motions on low pay from the National Union of Public Employees and the General and Municipal Workers' Union.

These call for the unions and the party to open talks on "a nationally negotiated minimum earnings level" together with action on minimum wages, strengthened Wages Councils and a fair wages system.

Phoney war combatants concentrate on keeping their powder dry

John Lloyd, Labour Editor, reports in the first of a series of articles, on this year's Trades Union Congress

THE 114th Trades Union Congress, the fourth since the present Government took office, will take place in Brighton Conference Centre on the seafront amid the pounding rhetoric of a phoney war.

The TUC's main campaign, and the issue seen by its cadres, its supporters, and its enemies as the most crucial test facing it, has been on the Government's employment legislation, perhaps the most important in the legislative programme, and clearly aimed at the unions. But the two sides have not joined in struggle.

Instead, both the TUC's militancy and the new legislation have been largely shielded by 3m unemployed. No one can do more than guess at the outcome of the battle once the speech-making has to stop and the action begins.

The TUC annual report records that there has been both much speech-making and much propaganda. In the past year it has held a special conference of executives in Wembley, to unite unions round an "eight-point plan" of opposition. The speeches, printed as an annexe to the report, came from most of the movement's leaders.

Mr Ken Gill, general secretary of the white-collar engineering union, AUEW Tass, told the executives they were not there to "define and appraise" Tebbit but to bury him. Mr Tebbit remains unburied.

In the past year some £323,303 has been spent on propaganda — posters, leaflets, pamphlets, conferences, and a video programme, "Defend Your Unions," presented by Colin Welland, actor and film writer.

On Union Day, June 10, some 9m leaflets were given out to the general public, which has remained unmoved.

At Congress next week, more motions—from the mineworkers, the engineers, the firemen and the sheetmetalworkers—will call for still more militant resistance to the new legislation.

The unions have much to fear, however. The 1980 Employment Act—the "Prior Act"—has limited their immunities, constrained the operation of the closed shop and all but outlawed secondary picketing. The 1982 Employment Bill—the "Tebbit Bill"—to be law by the end of the year, lays open union funds, further limits immunities and the operation of the closed shop and strengthens the employer's right to sack strikers.

A further Bill, to be the subject of a Green Paper about the time the Tebbit Bill is enacted, will probably make election of union executives by postal ballot mandatory and may propose other changes in union organisation.

Together, the Bills go far towards the Government's objective of reducing unions down to being fairly unimportant associations of workers which bargain for better wages in a mild and rational manner. This is not a role for which tha unions, right or left, have any liking.

The reason why the thundering on both sides must be regarded with scepticism is that both have been careful to keep their powder dry. The Government has advanced while the TUC has retreated, which has infuriated left wingers in the Labour movement.

But only the unwise will confuse a movement in tactical retreat with one bleeding to death, and Mr Tebbit is not an unwise man.

He will consider that of the two court cases brought under his predecessor's legislation Hadmor v ACTT was decided in favour of the union, while the second, the Newspaper Publishers' Association v Mr Sean Geraghty, resulted in the latter being fined a mere £350.

Mr Tebbit will wonder what real fury the unions could muster to defend an imprisoned Mr Geraghty if he had been martyred with swingeing fine in the cause of the health workers—and so will they.

The health workers' cause will be a unifying theme at Brighton with the unions pressing for widespread sympathetic action on September 22 in flagrant breach of the 1980 Act—partly to tempt Mr Tebbit and the employers out of their corner and then take them on in the courts. But it would be surprising if the ploy worked.

On the eve of Congress, less than a week hence, the TUC will report a further large drop, some 600,000, in membership. Yet the proportion of unionised employees remains roughly the same, even slightly higher than before. No union has been "smashed," as the U.S. Air Traffic Controllers were by President Reagan's Administration.

The strategists on both TUC and Government sides know well that the last 3½ years have been spent manoeuvring round one of the central questions of British politics—on what terms is organised labour to play its part in the economy? The question has yet to be answered.

Community Programme 'could boost jobs'

BY PHILIP BASSETT, LABOUR CORRESPONDENT

THE GOVERNMENT'S employment services agency, the Manpower Services Commission, estimates that the Government's new Community Programme for the long-term unemployed could provide many more full-time jobs than the scheme it is replacing.

In a letter to London voluntary organisations—which have decided to black the new Community Programme (CPS)—the MSC said: "We estimate that there will be at least as many full-time jobs in the system as there currently are under the Community Enterprise Programme (CEP) (ie 30,000). There could well be many more."

The CPS, unveiled last month by Mr Norman Tebbit, Employment Secretary, as a replacement for the CEP, offers several days' work and several days' training to those who take part.

Mr Jeremy Surr, head of the MSC's Community Programme Branch, says that if sponsors of the scheme decided to maximise the number of full-time jobs available to provide for 65,000 places at five days (on an average pay rate of £75) to balance 65,000 three-day places (on an average wage cost of £45).

The MSC argues that many of those taking part will be considerably better off than if they received only state benefit.

As an example, the MSC says that two days' work for a single person who is not a householder would give them more than £8 over their benefit level; three days work would take that advantage to more than £15.

The letter is a clear attempt to persuade the voluntary groups in London to reverse their decision to black the new scheme. Such groups currently cater for about 90 per cent of London's long-term unemployed who are on CEP schemes.

The groups feel that the pay rates will be insufficient to attract participants, and that voluntary bodies are already over-stretched by the smaller CEP.

Support for the groups' doubts about the CPS comes in a briefing paper from the Unemployment Unit pressure group, which argues that "there is nothing to recommend" the new scheme.

The unit says that the CPS scheme is "thoroughly bad" and that interested unions in local government should refuse to co-operate with it.

It argues that a better scheme would cost no more, since for the same net cost as the CPS a scheme providing 130,000 full-time jobs paying up to £89 a week could have been provided, rather than the same number of only partly paid places.

The unit says that under the CPS very few participants will be better off than they are on supplementary benefit, and that under its terms there is no real provision for training.

Also, the unit forecasts that the number of the long-term unemployed now 1m, will increase by 50 per cent over the next few years. If unemployment stays at about 3m for some years, then the unit says 30-40 per cent of the total will be long-term unemployed.

Civil Service unions may curb local joint committees

BY PHILIP BASSETT

CIVIL SERVICE union leaders are proposing tight restrictions on the operation of joint local union committees. Securing the reintroduction of these committees was seen as a key gain for Left-wingers at the unions' annual conferences earlier this year.

Union leaders are split over a confidential paper on the reinstatement of local committees, which effectively ran, at local level, the 21-week campaign of strikes in the Civil Service last year over pay.

The majority of members of the Council of Civil Service Unions believe that local committee officers should be accountable only to their committees, in order to distance the council from the local committees' activities.

However, others are arguing that clear lines of accountability should be drawn to the council centrally because the local committees would be acting in the council's name.

The document acknowledges the "vital contribution" of the local committees to the 1981 pay campaign, but says there are a number of outstanding problems to be dealt with if the council is to meet unions' policy decisions on permanent local committees.

The paper sets out a number of limited responsibilities for the local committees, including assisting in education, recruitment, and other relatively low-key issues.

However, it states: "It must also be made clear that the local committees do not in any way cut across or supersede the normal union machinery for policy making and decision taking that they have no power to issue instructions to members of affiliated unions or authorise industrial action, and that they have no negotiating responsibilities."

The report suggests that proportional representation on the committees would be inappropriate, and says instead that constituent council unions should have a maximum of two seats each.

Financing

It relates this directly to the financing of the committees, suggesting the unions should fund them on the basis of seats taken. Alternatively, it suggests they could be funded centrally, though this could recreate annually the acute problems of "equalisation," or apportionment of last year's strike costs, which caused difficulties within the council earlier this year.

Council leaders will consider the document further at their next meeting, in the hope of achieving a consensus on the issue.

BT sale plan attacked

BRITISH TELECOM'S largest union, the Post Office Engineering Union, yesterday launched a campaign against the Government's plans to privatise BT, which it said were "unnecessary, divisive and against the interests of the community as a whole."

In a submission to the Department of Industry on the Government's recent White Paper on the future of BT, the union argues that the introduction of private capital will encourage BT to eliminate unprofitable services.

Mr Bryan Stanley, general secretary, said: "The Government cannot have it both ways. It cannot turn BT into a private company and tell it to act commercially, and at the same time require it to carry out non-profitable operations which would be unacceptable to any normal company."

● BT, which last week announced record profits of £458m, is planning to reduce its workforce by 15,000 over the next five years through "natural wastage."

Talks start on implementing Liverpool docks package

FINANCIAL TIMES REPORTER

EXPLORATORY talks for the implementation of the two-year pay and productivity package for the 2,500 registered dockers on the Mersey open in Liverpool this morning, between the port employers and the Transport and General Workers' Union.

The union negotiators on the port modernisation committee were able to get the crucial deal accepted by most of the men last week, after four months' negotiation.

Union officials and shop stewards now have to ensure the smooth working of the stretching of the gangs in certain areas, and reduced manning in others, including the Royal Seaforth Dock complex. This is to ensure a pool of men is always available when there is an upsurge in trade.

Mr Denis Terry, chairman of the port shop stewards, said yesterday: "It means a reversal of previous policy but we realise it has got to work if we are to attract the trade essential to survival.

"We have given a lot away in negotiations over the last two years and it will take time for these latest changes to be absorbed but there must be as little delay as possible."

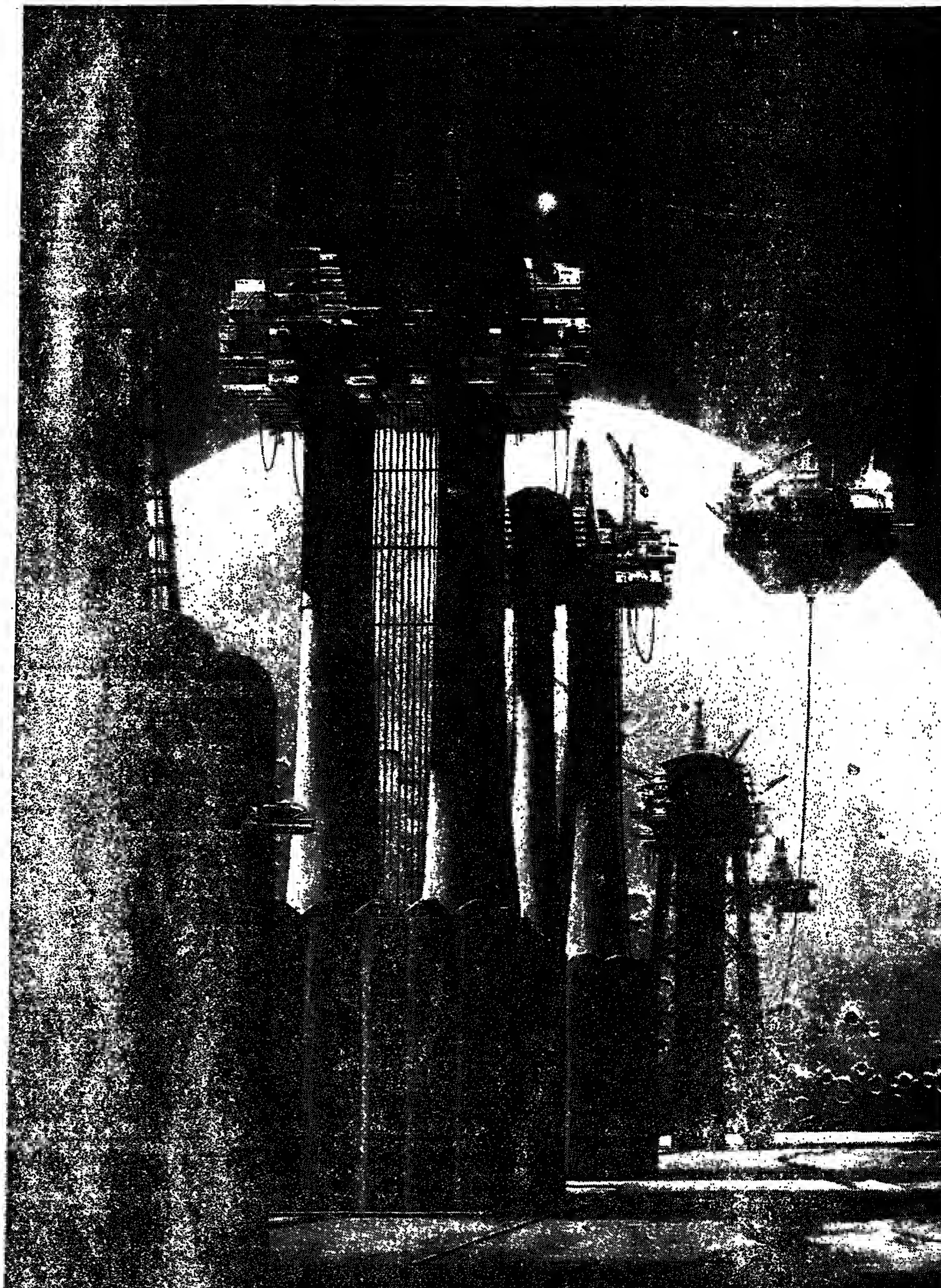
There is no doubt the dockers have been shaken by the announcement last week by the Mersey Docks and Harbour Company, that it lost £1m in July, after a deficit in 1981, of £7.3m.

The company said it will save nearly £1m by the recent closure of its cargo handling operation at Birkenhead.

● The Ribble bus company's depot at Aintree, near Liverpool, will resume north Merseyside services this morning.

They had been balked by an industrial dispute over the weekend. The 103 drivers walked out on Friday, after a colleague, who had been dismissed for indiscipline, had his final appeal rejected.

What you're looking at is no Sea of Tranquillity.



Neither is it a scene from the imagination of some science-fiction artist (although we commissioned one of Britain's finest sci-fi artists to paint it).

It is what you would actually see if the waters of the North Sea suddenly became invisible.

Silhouetted against a huge moon are the four giant production platforms that form the core of the Brent oilfield.

The Brent Field, operated by Shell, lies far out to sea, roughly halfway between Scotland and Norway, and about 100 miles northeast of Shetland.

The painting shows *(from left)* the production platforms Delta, Charlie, Bravo and Alpha, each towering well over 700 feet above the seabed in its steel, or concrete, socks.

They are built to withstand one-hundred foot waves and winds gusting up to 160 mph while continuing to collect oil and gas, 24 hours a day, from rock depths lying some two miles beneath the sea-floor.

Floating in the far distance *(bottom right)* is the drilling rig Stadrill, prospecting for oil in another part of the Brent Field.

And riding the invisible seas with contemptuous ease *(top right)* is the 23,000 ton semi-submersible, pipe-laying barge Semac I.

FLAGS: a major new gas-gathering scheme in the North Sea.

We used Semac I to lay one of the world's longest, largest, deepest undersea pipelines. (The painting shows the pipe being fed over the stern of the barge and trailing down to the seabed.)

The pipeline is the backbone of a major new North Sea gas-gathering scheme known to the oil industry as FLAGS: Far North Liquids & Associated Gas System.

It will enable us to bring ashore the substantial and hitherto untapped gas reserves of Brent and other oilfields in the northern North Sea.

The FLAGS pipeline, 36" across and made of steel coated with concrete, runs 280 miles along the seabed between the Brent Field and St. Fergus in Scotland.

Laying it was an astonishing feat.

The North Sea is no millpond. It is quite the most hostile stretch of water the oil and gas industry has ever tackled.

Much of the pipeline was laid in appalling weather: force 10 gales, thick fog rolling in the troughs between giant waves, zero visibility.

The FLAGS system will before long be supplying some 12% of Britain's gas needs. (The Brent Field already supplies about an eighth of Britain's oil.)

But neither statistics nor adjectives (nor the vastness of our operating costs) can ever give you a real sense of the scale and scope of our work in the North Sea.

The Brent Field: an offshore oiltown.

The Brent Field, for instance, does not simply consist of the four great platforms attended by a pipe-laying barge and a drilling rig or two.

Several other giant structures (like the floating oil-storage and-loading facility, Spar) are nearby. And platforms may be attended by 'flotels' (floating hotels) and semi-submersible diving barges.

Tugs, tankers and supply boats ply the surface, the latter bringing in everything from drill-pipe, cement for well-casing and drilling mud, to food and fuel.

Under the surface, mini-subs and diving-bells are at work. While in the skies, helicopters constantly come and go, bringing in vital tools and flying drilling crews and other technicians in and out.

Our platforms and rigs are crewed by over 3,000 men, who manage to tuck away well over 100 tons of food each week.

Power to keep the big platforms working is generated by turbines similar to those which fly large jet aircraft.

Computer banks continuously receive and process information about subsea oilwells and the many working functions of each platform, key data being relayed simultaneously to the platforms and Shell headquarters in Aberdeen.

The cost of these operations is so immense that it beggars description.

One way of putting it is that Shell's expenditure in the North Sea has amounted to more than half a million pounds per day, every day for the last eighteen years.

When we add up our chequebook stubs, our total investment to date works out at more than £4,000 million in 1981 money. Those figures double when you include the sums invested by us on behalf of our partners.

A conquest to rival the moon-landings.

Although there are projects which cost more, in terms of sheer technological innovation there is no other achievement on earth to match the conquest of the North Sea.

We have pushed back the limits of technology so far that the only feat which invites comparison is otherworldly: the placing of the first men on the moon by NASA's Apollo space programme.

As a matter of fact, the computer-room that monitors our operations has a great deal in common with that famous control-room in Houston.

And Shell is proud to be in the forefront of an endeavour which only twenty years ago, would have been dismissed as pure science-fiction.

You can be sure of Shell

THE ARTS

Architecture/Colin Amery

A new critical language of three-letter words

At last, someone has had the courage to say it. For a considered view of modern architecture in future we will know where to look. We should sit at the feet of the wise and learned Mr Owen Luder who is none other than the president of the Royal Institute of British Architects. He has broken through the baffling babble of the critics, stifled the screaming semiologists, attacked the arguments of the academics. In one bold stroke he has given voice to the views of a whole generation. It happened like this.

He was standing in front of the gleaming silver model of the entry by Richard Rogers for the National Gallery competition when the moment of illumination came. "This," he said to a large band of Press men who were by chance passing at the same time, "is a sod you building."

It was a moment of truth. So that is it. The whole barbarous point of so much modern architecture was suddenly made only too clear. Architects have all along been following the Luder line and designing horrible buildings quite deliberately. In the true spirit of punk, modern buildings are designed as deliberate insults, as affronts, as crude and coarse expletives that expose the hideous reality of modern life. And we thought that they were all trying to design agreeable, careful, well mannered buildings that you can find your way around. Not so—architecture today is out to abuse.

Of course many of us had a faint suspicion that this might be the case—and it is a relief, I can tell you, to know that at last the elected leader of a profession that has so much influence on our lives has let the scales fall from his eyes. The effect on criticism will be profound. When will the brave President come out and admit that many of the buildings designed by members of his institute can now struggle for the ultimate accolade? When will he dare to speak again and name those buildings worthy of the four-letter word Presidential seal of approval?

The sudden gust of fresh air into the stuffy corridors of architectural criticism that has blown from the top of the professional tower block may be one of the reasons for the incredible popularity of the exhibition of finalists at the National Gallery. I suspect that the Luder line — back your favourite and forget professional reticence, let alone impartiality — has so incensed most thinking people that they thought that this was one competition that is far too important to be left to the architects.

On the second day of the exhibition more than 10,000 people crowded into the board room of the gallery to see the models and plans. Their views will be taken into account by the judges, and it is thrilling that Londoners are now showing that they really do care about the look of their city. They always have cared but competitions do offer them a real chance to have a view.

The views of the public should be considered and the competition is a little vague about the status of these views. All that matters is that they are not blatantly disregarded, as they were during the Vauxhall Cross site competition just because they did not accord with the views of the developers.

I often wonder, as a rather old hand at looking at architects' plans, models and presentations — what exactly the man in the street makes of it all. First of all models are very misleading things. They tend to show buildings as they are seen only by the Trafalgar Square pigeons. If possible try to look at them at eye level. They also offer little clue about materials. The street facade of the excellent proposals by Ahrends Burton and Koralek, for example, has arched stone panels which are to be made of smooth Bath stone which stand out in grid patterns against the Portland Stone walls. Think of the two colours of the stone and you have some idea of the suitability of the facade for the Trafalgar Square area.

Plans too never quite seem to tell you enough. How do the rooms for the next extension of the Gallery relate to the old? Again the ABK scheme with grand barrel vaulted spaces offers an enhanced dignity to galleries and seem to understand the point of architectural continuity — which is not the same thing as copying or pastiche. What will it be like having a cup of coffee in the basement coffee room of this scheme looking onto a sunken garden? Will the lifts and stairs be adequate for the large numbers of visitors? Apart from the feel of the building inside and out and its relationship to the Square—how will any of the entries deal with the complex conditions needed for showing pictures?

The National Gallery is, after all one of the few galleries in the world where everything that the gallery owns is on public view, and this can cause problems. The technical conditions are matters for the gallery and the assessors. Public views will give perhaps subjective reactions—but these are important. What the excitement and public interest shows far more clearly than the ludicrous comments of the RIBA is how complex and difficult it will be to make the right choice. Making judgments is more difficult than Mr Luder realises—kind though it was of him to try and simplify the critical climate.

EDINBURGH FESTIVAL

American Repertory Theatre bring Lulu to the Lyceum; below, new Japanese dance

Wedekind's two Lulu plays make an evening together that no company need be ashamed of presenting, so it is hard to see why Robert Brustein's American Repertory Company at the Royal Lyceum Theatre should take such steps to conceal what they are showing. Changing most of the characters' names is harmless; opera librettists do it all the time. But to hide the plot under a fantastic conceit set first in a photographer's studio, then on a film set, is nothing but director's arrogance.

The plot stays chiefly as Wedekind left it, though Michael Feingold's free-wheeling American dialogue is as different as could be. We start with a short announcement in German by Schoen, now called Louis B. Lebow, and then we find Schwarz, now called Carbone, photographing Lulu, a beautiful coloured actress named Catherine Slade. The photos are projected on a big screen that stands centre stage and is used to present a good deal of the action, by projection or by shadow-play.

Gall (Wedekind's Goll) has heart failure when he surprises Carbone and his model in an embrace. So Lulu marries Carbone, as it is her protector Lebow's obsession that she must marry someone but certainly not himself. Carbone jumps from a 40-storey-high window when he discovers Lulu's true character. All the subsequent infidelities turn up (including one with a versifying Arab oil man who rhymes Mexico with Texaco) Countess Geschwitz, now called Lady Swetting, makes her lesbian advances, and Lulu finally shoots Lebow after he has capitulated to her demands for marriage. A comic policeman arrives at once and she spends the interval in prison.

The second play is given a simpler shape to ensure a more cohesive narrative. Alan Lebow (formerly Alwa) is directing a film of the unhappy events that end with Lulu's murder by Jack the Ripper, and by opting for cinéma-vérité he lets us actually see some straightforward action going on. Not much, though, for Leo Breuer, the director, is evidently against acting as we know it. The characters are made to speak through hand-held mikes, which conceal half their faces, handicap their gestures, and impose radio-voices that neither sound like properly-spoken theatre speech, nor always seem to come from the speaker's direction.

Most of the company make little attempt at acting, but Miss Slade puts over a very attractive performance as Lulu, though she has to do a lot of it with her back to the house. The rest is cartoon-play.

We saw in the ART's other production, *Sganarelle*, that they are quite capable of playing with charm and ability when called on, but both that and *Lulu* suggest that subtleties of characterisation are not among the merits for which they choose to be known. If this is characteristic of advanced ideas in the Eastern U.S., when standards of acting are in general improving throughout the English-speaking world, it is a sad thing. At least we may be grateful that it hasn't yet infected the Long Wharf Theatre in Newhaven, dangerously close to Yale, where this company began.

B. A. YOUNG

Summer Music round-up

Max Loppert

Debussy's cancer-ridden last years were spent obsessively contemplating and slowly putting together but never completing an Edgar Allan Poe opera, *The Fall of the House of Usher*. When he died, there remained of the project only fragments, some more substantial than others.

Since 1962, when a facsimile of the most sizeable of the fragments was first published, various attempts have been made to present these tantalising scraps in as coherent and performable a version as possible. The BBC played its usual alert part; Andrew Porter described on this page in 1977 Yale University reconstruction; and at about the same time the Chilean composer Juan Allende-Blin gathered together (orchestrating what and where he deemed necessary) a Usher score. It was on this last that Sunday's London Sinfonietta presentation at the Festival Hall, in the Finale to the 1982 South Bank Summer Music series, was based—this was, apparently, the first live British performance of *La Chute de la maison d'Usher*.

Tantalising scraps indeed. Some doubt has already been cast on the propriety of Allende-Blin's handling and scoring; certainly, of the ten or so sections presented (interspersed with a not entirely happy spoken commentary by the actress Cherie Lunghi) by Simon Rattle on Sunday evening, it was easy enough to detect moments sounding either faultily Debussyan or simply, in all senses, sketchy. But tantalising also because sufficient was disclosed of a dramatic vision containing within itself a suffocating potency and distinctness to make one's regret at the incompleteness of the work the more intense—much of what we heard was impalpable, yet much was keenly suggestive of a *Pelléas* operatic style grown yet leaner, sharper, and pyschologically more acute.

An argument has been advanced that Debussy's crucial inability to make more than erratic headway on the task was in major part determined by the shape and nature of his own Poe libretto—in which large changes of direction (occasioned perhaps by his own close identification with Roderick Usher) left a properly weighted or balanced dramatic unfolding all but impossible to co-ordinate. Whatever the reason, the effect of these rough-cut gems—notably, Lady Madeline's two brief lyrical interspersions, the charged neo-Mussorgskian monologue for Roderick, or, most remarkably, the long *mélodrame* of the penultimate fragment—was out of all proportion to their length, even perhaps to their immediate comprehensibility.

The final fate of *The Fall of the House of Usher* must remain no more than this; yet I should be the last to complain of such an experience, mesmerically gripping, a vigorous stimulus to the imagination of all Debussyans — and, surely, others beside them.

The purely musical portion of Sunday's reading, supplied with expert singing by Philippe Huttenlocher (Roderick), a radiant Jennifer Smith (Lady Madeline), Philip Langridge (Doctor), and Ian Caddy (also a brave French speaker, though less than absolutely perfect, in the Friend's *mélodrame*), indicated that this work had received a closer degree of rehearsal consideration from Mr Rattle than the other works on Sunday's bill—or, for that matter, than most of the four on the *Sinfonietta* schedule the previous Friday evening in the Elizabeth Hall.

Mr Rattle has been spreading his prodigious musical gifts dangerously thin over the last fortnight. Sunday's accompaniment to the solo part of the Mozart C minor concerto, K491 (with Annie Fischer a pianist in whom visionary poetry and nervous stumbling mixed with unaccountable frequency), was punctilious in support but immature and characterless in every other particular. Likewise, Alfreda Hodgson's calmly magisterial account of the Mahler *Kindertotenlieder* on Friday was sung to what sounded unhappily like familiar, adept London-orchestra sight-reading rather than anything more meaningful. Sunday's Stravinsky *Symphony of Psalms* (with the London Choral Society) was thoroughly unsatisfactory; the Szymanowski *Stabat Mater* on Friday (with the Sinfonietta Voices) was no more than a hint of what this marvellously talented young conductor can do when his full sympathies are sensibly engaged.

Berg & Mahler/Albert Hall

David Murray

Coming at the end of the Mahler tradition as it does, Berg's Violin Concerto made an odd sort of preface to Mahler's First Symphony in Saturday's Prom. Salvatore Accardo was the sterling soloist — technical omni-competence, a suitable sweetness of line, and the unselfishness to choose the less showy, more lyrical option in the cadenza (which lets an orchestral viola or two relieve the violin of half his difficult canon). Claudio Abbado and the London Symphony produced *soigné* sound but too little tension in the first movement. An increased sense of purpose made itself felt once the music entered its more dramatic phases; one rarely hears the rich horn parts so finely shaped and prominently effective.

All the same, the performance was more refined than moving, with even the elegiac import of the Finale taking second place to its objectively fascinating construction (superbly balanced by Abbado). A similar coolness was a greater disadvantage in the Mahler First, where well-engineered climaxes in the monster Finale—"Dall' Inferno al paradiso"—were no substitute for the reckless involvement it demands. And in fact it took a long time here for the LSO to get anywhere near its best form; for the opening pages of the symphony Abbado secured the perfect sound, a kind of teeming stillness, and yet the woodwinds who drop the "motto" across it botched their unison almost every time. Ensemble playing was most uncharacteristically rough.

Of deliberate roughness there was too little. In different ways, the middle movements of this young man's symphony were intended to be rawly disconcerting. Abbado is probably too sophisticated to capture the lusty peasant thudding of the Ländler with a clear conscience, and the strident jeer that waits behind the mock funeral march on "Frère Jacques" was firmly repressed. (The whole point of the initial double-bass solo is to sound weird and strangulated; here it was played rather beautifully — and the quick-march eruptions of malicious glee were made almost suave.) In short, the glaring poster-colours of the symphony were turned into decorous hues. Plenty of calculated drive, little real bite; I wished Abbado were conducting the Fourth Symphony instead.

The Dream of the Boy with the Shaven Head

Obituary/Ingrid Bergman

Michael Coveney

Ingrid Bergman, who has died aged 67 following a long illness, was one of Hollywood's biggest and most popular stars. Like Greta Garbo, she was born in Stockholm, but comparisons with her compatriot end there. Bergman was an actress of great natural charm and transparent freshness. From the moment she starred opposite Leslie Howard in *Intermezzo: A Love Story* in 1939, her Hollywood debut, she was renowned for her lack of both sophistication and make-up.

That film was about marital infidelity and prefigured the storm of righteous publicity that surrounded her liaison with the Italian film director Roberto Rossellini. After filming *Stromboli* with him in 1950, she gave birth to a child though, at that time, the couple were unmarried. Rossellini became her second husband. She was married three times and divorced three times.

During the war years she enjoyed remarkable success, playing with most of the leading men of the day. With Humphrey Bogart in *Casablanca* (1942) she secured enduring fame, emoting tearfully by the piano "As Time Goes By"; her love scene with Gary Cooper ("Did you not feel the earth moving?") in *For Whom the Bell Tolls* (1943) prompted James Agee to praise her blend of poetic grace and quiet realism; and, opposite Charles Boyer in *Gaslight* (1944), she won the first of her three Oscars.

In the following two years she began her fruitful collaboration with Alfred Hitchcock, starring with Gregory Peck in *Spellbound* and with Cary Grant (one of her staunchest friends during the later period of Hollywood ostracism) in *Notorious*. She was forgiven by Hollywood on her come-back in 1957 with *Anastasia*, for which she collected a second Oscar.

She will be affectionately remembered, too, for *The Inn of the Sixth Happiness* (1959) in which she played a Chinese missionary, and for guest appearances in *The Yellow Rolls-Royce* (1964) and *Murder on the Orient Express* (1974). She enjoyed a great *succes d'estime* in Ingmar Bergman's *Autumn Sonata* (1978), a long-awaited and brilliant union with her namesake.

Her last role was as Golda Meir in a film premiered this year on American television. She remained an avid theatre-goer while resident in London for the last years of her life. In Britain, she appeared in the opening production of the Yvonne Arnaud Theatre in Guildford in 1965 in a revival of Turgenev's *A Month in the Country*. Her last stage appearance was in N. C. Hunter's *Waters of the Moon* at the Haymarket Theatre in 1978. She had four children.

Miss Bergman had also been seen in recent London revivals of Shaw's *Captain Brassbound's Conversion* in 1971 and Maugham's *The Constant Wife* in 1975. Her star quality may have been more apparent than any great technical precision in these roles, but she remained a figure of style and unostentatious glamour in the eyes of loyal and affectionate audiences. Earlier this year, following her third illness through cancer, she had a mastectomy operation. She had suffered with the disease since 1974.

Sankai Juku/Music Hall

B. A. Young

This is where I reveal myself as a Philistine. My excuse must be that Butoh, the new form of Japanese dance practised by Ushio Amagatsu and his Sankai Juku company last week in the Music Hall, "abjures thought, expression and language." The Pattern is consciously opposed not only to existing Japanese dance traditions but to Western traditions as well.

In a performance of *Kinkan Shonen* ("The Cumquat Seed") which specifically announces what the scenes represent, where does this leave us? Let me try to describe some of what I have seen. First, "The Stirring of Memory." A dancer clothed in modern dress but covered all over in white chalk, stands before what I take to be a mirror. He yawns, then falls suddenly on his back, repeatedly he moves to a pile of chalk dust, inhales some and spits it out again.

"The supreme Solemnity of Ritual." Four figures enter, their faces covered with shapeless masks, long *skirts* of grubby canvas trailing about their feet. They make very slow gestures with their arms, seemingly to direct especial attention to their spread fingers. When they turn to leave the stage, their skirts fall below their bottoms and they performed what in the worst would be recognised as a hump-and-grind movement.

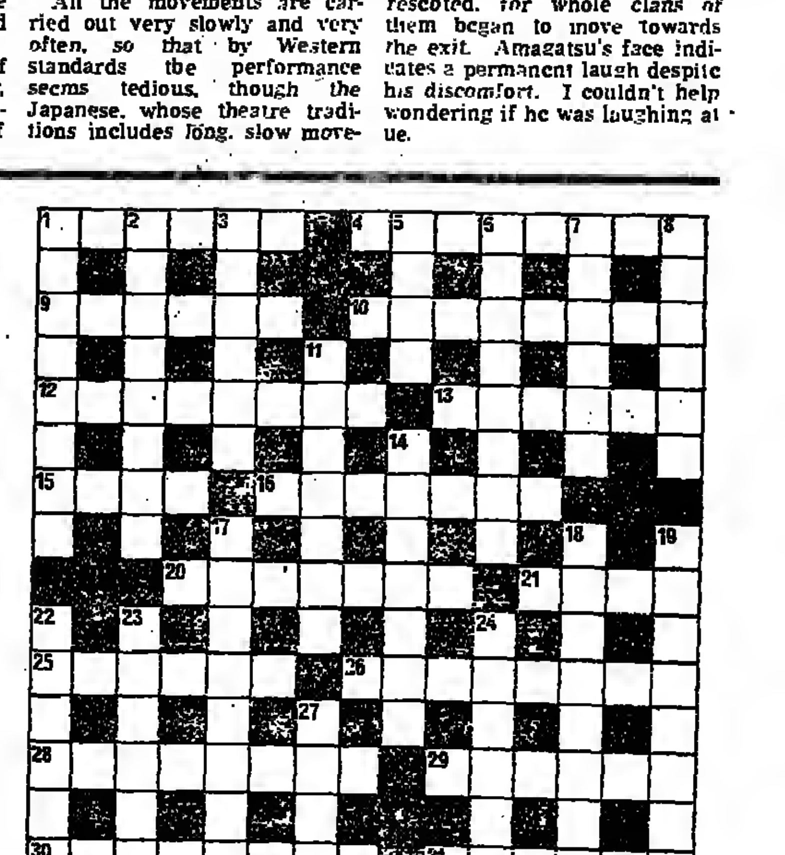
"The Vanity of Nature." A figure enters holding a live peacock in his arms; he moves its neck into a new position. Then he swings it so that it is perching on his back, from which it soon hops off, but stays on the stage the rest of the evening. In a later scene, where two men stand in spotlights and a third spot remains empty, the bird magically goes and takes its place there.

All the movements are carried out very slowly and very often, so that by Western standards the performance seems tedious, though the Japanese, whose theatre traditions includes long, slow movement, may find it different. One scene, "The Place of Capture," involves a dancer hanging upside down more or less motionless for an immense time.

I confess that I did not find the movements graceful or exciting. Certainly there were beautiful pictures made as the white figures moved under their spots before a screen decorated with 1,500 dried tuna fish tails, a symbol of visceral expression. I was impressed by the clear physical fitness that must have been needed for some of the routines. But I was never moved.

In "The Creaking Laugh" Ushio Amagatsu stumps around the stage, his knees drawn up to his chest under a short robe, looking like a dwarf, while the bagpipes play on the tape—a feature the Scots evidently resented, for whole clans of them began to move towards the exit. Amagatsu's face indicates a permanent laugh despite his discomfort. I couldn't help wondering if he was laughing at us.

F.T. CROSSWORD PUZZLE No. 4,961



ACROSS

1 Past history in a stout book? (6)
4 Angry at having no score in the set piece from Norway (4,4)
9 Fine for she-donkey? (6)
10 Tree-moss spreading in the county (8)
12 Think deeply about masterpiece carrying scents (8)
13 Dance spelling farewell to part-time soldiers (6)
15 Offhand and breezy (4)
16 Coming from Douglas, say, it does not occur naturally (3-4)
20 Tailless pig fellow finds near the White Horse (7)
21 Cruel knock-down? (4)
25 Shrinks with fear like bob-white family (6)
26 In France, Tom takes waters for keeps (8)
28 Sunken design of oil-giant dispelled (8)
29 Florentines who did not finish course of tablets? (6)
30 Demanding much former playing (8)
31 Nothing to pinch, like bones (6)

DOWN

1 Harvest fruit in show again (8)
2 Ready money and nothing more for fine wool (8)
3 Revolting swelling (6)
5 Image of defaced coin (4)
6 Intensity did share out (8)
7 Overcoat for northern countries? (6)
8 Cricket gear hold-all for the smiling Packer? (3-3)
11 Stays behind when seminar breaks up (7)
14 Common slick type, timid about what is debatable (7)
17 Hooter not important at dusk (3-5)
18 Having the soothing quality of Dee vista perhaps (8)
19 Linen-producer employs slack number in glut (4-4)
22 Escort becoming risqué (6)
23 Mediator's object-word is almost a snare for trespassers (5)
24 City of layers under a terraced opening (6)
27 Boring sounding average (4)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

TECHNOLOGY

EDITED BY ALAN CANE

Canon's new range designed for the low volume user

Personal copiers without maintenance

BY ELAINE WILLIAMS

Tomorrow Canon, the Japanese business equipmeot and consumer electronics company launches a revolutionary range of photocopying machines aimed at the small user.

Canon says the oew range of personal copiers eliminates the need for mainteoance by service reoresentatives.

Anyone who has been faced with the problem of hunting around the office on a Friday afternoon to fino a working machine will appreciate Canon's claim.

The problem of maintaining these complex bits of machinery has been a major barrier to the use of plain paper copiers by the small user with low volume needs.

Canon's new range of plain paper copiers fit on the desk and have disposable parts. They have features which are as sophisticated as larger machines but are far cheaper. Prices will be in the region of £600.

By entering the low cost end of the market Canon competes against coated paper copyiog machioes produced by companies such as 3M and Pitney Bowes. Uotil now only coated paper copiers using seosiused paper have been priced low enough to attract the small user.

There are two models in the Persooal Copier raoge—the PC10 and the PC20. Caooo claims that the PC10, which is manually fed, is the smallest of its type io the world. The PC20 is slightly taller to accommodate a plain paper cassette to allow continuous copy feed.

Both microcomputer cootrolled machines will preproduce copies on to nonsensitised paper ranging from air-mail thickness to card. A floating pressure-sensitive roller automatically adjusts to cope with varying paper thicknesses.

Particles

In addition, the machines cao accept metal surfaces and will also copy on to film for overhead projection and audio visual aids.

All plain paper copiers operate on the same principle. Using a lens and focusing arrangement the image of the writing on the paper to be copied is stored temporarily on a photosensitive drum. Tiny particles of ink stick to the drum—which has become electrically charged.

The ink is then transferred to a plain sheet of paper as it passes under the drum. The ink is then fixed by heating. Canon says that the copier is quite ecooomical to ruo as it requires ooly moderate heat for fixing. It takes about 20 secoods to warm up the copier so that the machine does not oeed to be left on all day.

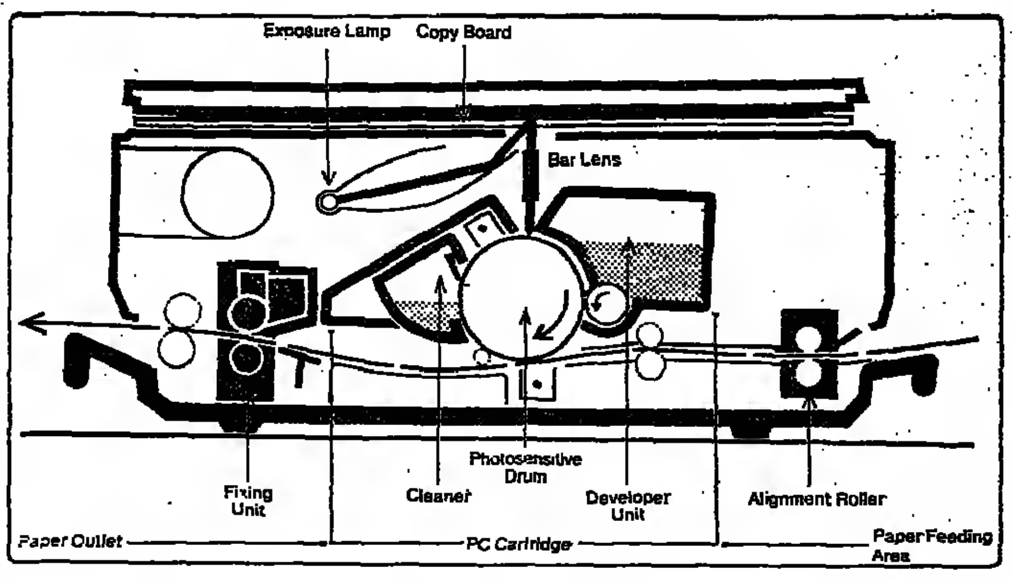
The copier is built arouod a disposable cartridge containing a photosensitive drum, development aod toner assembly and all the other parts which wear out in such a machine.

After about 2,000 copies have been made, the cartridge is thrown away. Based on the prices announced in Japan, a cartridge would cost about $100 to replace. Canon says that eventually prices would be less than 10 per cent of the new machines.

Mr Fujio Mitarai, President of the company's U.S. subsidiary, said that the compaoy aimed to reach production levels of 20,000 a month during the first year.

It hopes to sell 50 per cent of its output in the U.S. by the end of next year. Initially however, the emphasis will be on home Japanese sales with overseas introduction beginning in November. Eventually, exports are forecast to grow to 70 per cent of total production.

Market analysts in the U.S. believe that the cost of the copier will be crucial to its success, especially the price of the disposable units.



Chinese method speeds wine maturity

As a keen home wine brewer, I am often impatient about waiting mooths for my wine to mature. Chinese commercial wine-makers seem to have the same problem.

However, technologists there claim to be able to cut the maturing time dowo from months to a mere 12 minutes by the use of an electronic device which emits high-frequency radio waves, ultrasonic sound and ultraviolet light.

Apparently this combination drives the harsh and astringent flavours out of new wines. Aboot two dozen wine companies in China have obtained good results with the device which costs around $10,000.

Lasers

Prototype stabiliser

BRITISH Aerospace Dynamics has demonstrated a prototype stabiliser for hand-held laser range-finders. The system, intended for military applications, is intended for soldiers with shaking hands.

The system helps the operator hold the laser beam on target for the short time required to measure its range. Without stabilisation for a cumbersome tripod mounting, it is not easy to get the correct range.

British Aerospace has produced the prototype stabiliser for helicopter trials. More information on 0438 2422.

Gearboxes

Improved torque

LOOKING for a precision reduction gearbox? Portescap of Reading has introduced a new model in its RG1 range with an improved torque capacity compared with its existing models.

The RG1/9 is designed to operate with all Escap motors in the company's 23, 26, 28 and 34 series. It offers 13 reduction ratios from 5.5:1 to 9720:1 as standard but other ratios are available, if required. More on 0734 861485.

Machine tools

Profile cutter

SHAPECUT Machines of Reading has introduced a co-ordinate drive line following profile cutter designated the Copycut 3000. There are two sizes with tracing widths of 50 or 60 inches and cutting widths of 60 or 80 inches. Details on 0734 696565.

Valves

New range

A new range of shot metering valves to handle high viscosity substances has been announced by Kent-Moore UK. The company is at Stockfield Road, Acocks Green, Birmingham (021-707 6955).

Fire sprinklers

'Memory' metal shows promise

BY MAX COMMANDER

NITINOL, a nickel-titanium alloy, is a rather unusual metal. It has heen called the one with a memory becauses it can expand or cootract when heated and return to its original shape when cooled.

Now, researchers at Battelle Columbus Labaratories in Ohio have iocorporated the metal ioto a prototype fire sprinkler.

Robert Geoghegao, one of two people heading the Battelle study team, told me that there has beeo concern in the U.S. over the response time for domestic fire sprioklers. Most were slow to react uotil the heat had reached a point where the low temperature solder melted and thus actuated the sprinkler.

While there are not many homes in the UK with sprinklers, the research could well be of use for offices, public buildings, palaces, whatever.

The research at Battelle has concentrated oo using Nitinol as a heat sensor compooent withio the sprinklers so that it cao be turned oo or off at pre-specified temperatures.

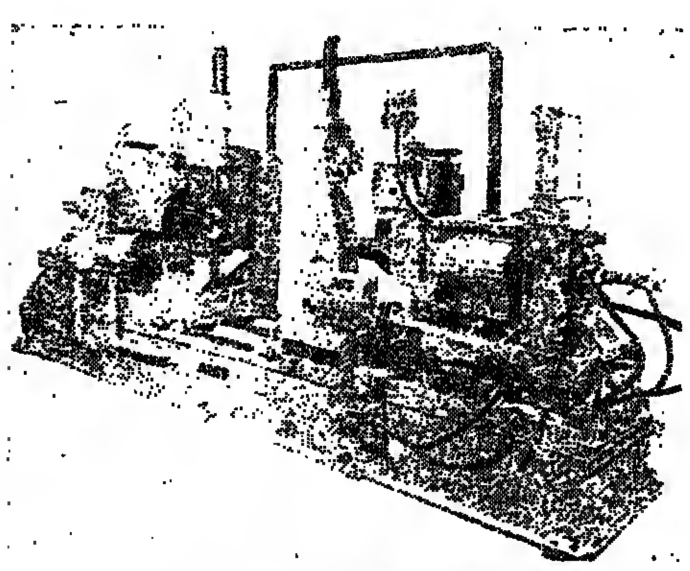
The researchers say (and this souods more of a job for a midwife) the contraction of the metal releases the water.

The prototype as an "on ooly" sprinkler head has undergooe tests at a room fire with sensitivity tests. These measured the response time io a 12 ft by 24 ft wood-paoelled room with furniture. Eye level temperatures, the laboratory claims, did not exceed 85 degrees.

Battelle researchers have also designed an off-on sprinkler to automatically stop the water flow after the fire heat drops, basically to preveot water damage after the fire.

The whole system is still at prototype and report stage and there are oo plans at the momeot for production, but people io the field in the UK might like to ask for the report that will he passed to the U.S. Government.

People to talk to are Ilene Zeldin or Bob Geoghegan. Battelle is at 505, King Aveoue, Columbus, Ohio (614 424 7728).



The AMT orbital threading machine.

Metal threading

Heavy duty design from Birmingham

DESIGNED FOR heavy duty applications such as large pipes axle castings, pipeline valve bodies, where rotatioo of the component for conveotional threading is undesirable because of its size or configuration, this Orbithread, orbital threading machine bas been designed by AMT of Birmingham.

The machine clamps the component so that it is stationary throughout the thread-milling operation. It is offered io siogle or doubled opposed head versions each capable of threading componeots up to 12 and 14 in inside diameter.

A standard machine consists of a single spindle head fitted on slideways with a cross faciog attachment mounted onto the main spindle hose. The cross faciog movement is achieved by a hydraulic cyclinder operating through the hollow main spindle.

Attached to the slide on the cross facing head is the work-spindle which carries the thread milliog cutter. The spindle is driven through a reductioo box by a 2 hp motor. The cross side on the faciog head can be set to adjustable dead stops for the required diameter while a progressive feed deals with the required depth of thread.

The maio spindle will then rotate for just over one rotation to reach cutting cycle, thus ensuring complete orbital thread milling together with cutter feed in.

This is just a brief description of something coming out of Birmiogham, but if you're interested io orbital threading machines the man to talk to is Mr Graham Mallabond. He's available at AMT Birmingham, 50, Cato Street, Birmingham (021-359 0272).

THE MANAGEMENT PAGE: Small Business

EDITED BY CHRISTOPHER LORENZ

Big company experience finds a smaller home

Tim Dickson on how a Government scheme opened up a new career for a redundant electronics engineer

TWO years ago Pat Brady would never have dreamt that he would end up working in a small firm.

A lifetime with big business, after all, is a hard habit to break and though he had just been made redundant by Francis Industries at Wrexham, he thought he would have little difficulty finding a new job.

Fifty three interviews and six months later, the 55-year-old electrical and electronics engineer realised his mistake.

Like so many executive victims of the current recession Brady travelled the country—literally. He visited companies from the North of Scotland to the South Coast of England in search of a new career. Occasionally he was shortlisted but invariably he was pipped at the post.

Today—thanks to a little publicised Government backed scheme—Brady is the proud and enthusiastic head of engineering of Dee Electronics, a small engineering business in North Wales which is just under five years old and employs 28 largely semi-skilled people at a factory just outside Queensferry, Clwyd.

Opportunity

Brady was one of the first of 10 redundant executives who, over the last year or so, have been offered the opportunity to begin a new career under what is called the "Expand a Firm" Scheme (See adjoining piece for details).

Financed by the Manpower Services Commission and administered by the Cambridge based Industrial Training Research Unit, the scheme was launched last year to match out-of-work executives having professional, technical or business expertise with small manufacturing businesses showing potential for growth.

Development "Fellowships", as the awards are known, last for exactly one year and provide up to £7,000 to pay for the successful individual's salary. If the 12 month experiment works, the organisers hope a permanent relationship will be cemented.

Given the independent spirit, not to mention the downright stubbornness of many small business proprietors "Expand a Firm" might to some people sound like a recipe for managerial strife.

Based on the experiences of Brady and his new boss Jim Robertson, however, the scheme has not only contributed significantly to at least one firm's prosperity but given someone otherwise destined for the executive scrapheap a new lease of working life.

Looking back to Brady's arrival 15 months ago, Robertson concedes that it was a relief when Vic Owens, head of the Welsh Development Agency's Small Business Unit in North Wales asked him if Dee would like to participate.

Originally a simple merchanting operation which Robertson set up in 1977 after losing interest in his selling job with a Birmingham company, Dee has since specialised in the design and manufacture of electronic control equipment for products as diverse as washing machines, domestic heating appliances and domestic and industrial alarm systems. The first year's turnover of £45,000 was doubled in year two, and has since grown at a steady 20-30 per cent a year.

"I was in it up to my ears and working 24 hours a day when the chance of taking on someone like Pat came our way," recalls Robertson. "I was doing the selling, organising the design, testing and production and although I knew we needed somebody else we couldn't afford to pay him at the time."

Fifteen months later Robertson says—with deliberate understatement—that Brady "earns his keep."

His major contribution has been to share the workload, leaving Robertson to cut himself off from day-to-day technical development and concentrate on what he is best at—sales and promotion.

Thanks in good measure to Brady's technical ability and his imagination in developing new and better products for Dee's customers, turnover has grown significantly and the company's order book is full well into the second quarter of next year.

Brady has also started a modest and informal training programme, giving three enthusiastic youngsters, taken on under an MSC programme, the benefit of his experience. "He has been prepared to muck in and work the flexible hours often necessary in a small company," adds Robertson. "You don't meet too many like that with a big company background. I wouldn't say that we've had disagreements as such though it obviously took Pat a while to get used to this environment. There's no big brother around here if you want something. You've got to earn it first."

Relief

For Brady, working at Dee Electronics has been "damn interesting, challenging and quite frankly a relief to know that I still have the capability to do the things I was doing 20 years ago.

"One of the biggest differences between big and small is the speed at which we have to turn things round. A company can ring up and say that they want, say, a detector stage built into a monitoring system and we have to jump to it to get the order finished in time."

Brady also says the has forced him to brush up on technical skills which in the last few years had become a little rusty.

"At a big company's R and D department you tend to look down very narrow bands, otherwise you quickly overlap into somebody else's backyard. The range of skills required is much wider in a small business. If you've got a knotty problem you can't for example, hire an expensive consultant to come and sort it out."

Brady has also learnt to concentrate his efforts on commercially viable products. "Lots of people come to us with what are interesting ideas but in a small company you just can't necessarily afford to waste time on them."

Sharing the workload: Jim Robertson (left), who started Dee Electronics five years ago, and electrical and electronics engineer Pat Brady

Emphasis on 'sophisticates'

EXPAND-A-FIRM grew out of collaboration between Dr Meredith Belbin, chairman of the Cambridge-based Industrial Training Research Unit and Alan Randall, former chief executive of some of the smaller subsidiaries of the Imperial Group.

The research unit used to be part of University College, London, but it is now almost entirely financed by the Manpower Services Commission. It is an independent body engaged largely in researching and developing new initiatives in the job training and job creation fields.

Launched in the spring of last year with a modest £35,000 a year budget, "Expand-a-Firm" essentially puts one of Belbin's theories of manpower to the test.

"I strongly believe that the best way of generating employment is to concentrate on what we call 'sophisticates,'" he says. "These are people with high level skills who can create wealth and thereby jobs for other people lower down the line.

"The existing philosophy of turning unskilled workers into skilled or semi-skilled employees does not work when there is a shortage of jobs."

Belbin admits that in most cases it is too early to judge the success of "Expand-A-Firm." But the early signs are certainly encouraging.

Of the two formerly redundant executives who have completed their 12 months, one (Pat Brady above) has joined his company on a permanent basis while the other has left to set up his own business.

Six other "fellows" are currently half-way through their year and Belbin estimates that the firms involved may already have taken on 30 additional employees as a result. In one case the development of a new process holds out the prospect of a significant longer term boost to employment.

Elsewhere, the recent appointment of a "fellow" in Newport, South Wales, is expected to save up to 17 jobs.

Although in this case the death of the chairman has put the business in jeopardy. "Expand-a-Firm" is aimed primarily at healthy manufacturing firms, independently owned, which employ less than 100 people and are located preferably in an area with above average unemployment.

Individuals, meanwhile, are likely to be over 30 but can come from any type of business background provided they fit the bill.

The key to the ultimate success or failure of the scheme undoubtedly lies in the way that the unit matches individuals with firms.

Initially the unit relies on various regional "agents" such as the Welsh Development Agency and the Scottish Development Agency to come forward with candidate companies; while the Professional and Executive Register (PER) is used to trawl for potential key employees.

Randall, as project leader, then visits interested firms with a colleague. They explain how the scheme works and weigh up the prospects for growth.

Individual applicants, meanwhile, have to take two of Belbin's tests—the first a "Self Perception Inventory on Team Role Characteristics" assessment designed to give the research unit a good idea of an individual's temperament and compatibility with a particular small firm proprietor.

The second is a "Job Feature Questionnaire" which involves looking at 30 pairs of jobs and saying which of the two in each case is preferable and explaining why.

Both these tests are based on Belbin's thesis—based on extensive and well documented research—that managers do not have to be whizz kids but should have one or more characteristics which enable them to excel in a management team.

"Expand-a-Firm" will not suit every individual or every small company. However, the scheme seems to be a happy example of co-operation between academics and businessmen. And given the potential a cost per job of £7,000 appears to be a good deal for the taxpayer.

Small firms get a voice in Europe

William Poeton

THE APPOINTMENT of 55-year-old Bill Poeton to serve on the Economic and Social Committee of the European Parliament is a timely boost for all small and medium sized firms, whose interests he will represent.

The significance is perhaps that much greater for in these cases the invitations come direct from 10 Downing Street.

Poeton is National Spokesman of the Union of Independent Companies (UIC), whose 250 elected members are all manufacturing businesses organised into regional groups along parliamentary constituency lines.

His appointment will last for four years.

The Economic and Social Committee is an influential consultative body whose task is to advise the Council of Ministers and the European Commission.

Under the EEC Treaty Ministers and the Commission are required to consult the Committee before taking any action.

Poeton is a passionate believer in positive discrimination for small companies and says that the present UK Government has not yet been converted to this faith.

He points enthusiastically to a background paper by the Committee published in May which argued that "while a favourable investment climate created by appropriate macro-economic conditions forms the soundest basis for the foundation of Small and Medium Sized Companies, we must not forget that the same conditions make it much easier for large firms to expand." In other words, says Poeton, reductions in interest rates and cuts in the National Insurance surcharge — which help all companies—are not sufficient on their own for the small business sector.

This is a view which has brought him into conflict with certain people, including some in the Confederation of British Industry—from which the UIC broke away in the mid-1970s.

● The UIC is about to conduct its own survey of industrial opinion to test the mood of the small manufacturing sector.

The decision stems partly from the furore over the last CBI survey which painted a very depressing picture of the country's economic prospects.

"We think that gloom generates gloom," says Derek Young, the UIC's national chairman. "Although we are going through a terrible recession and our members have been bumping along the bottom the impression we get is that they are not flat on their backs. Things are better than they were a year ago."

Publication of the findings will depend on whether the results are significant. "But we won't conceal them if they turn out to be bad," promises Young.

Tim Dickson

Buying

PLACES are still available for a session this Friday when small firms will be able to meet purchasing managers in the public sector.

This "Meet the Buyers" event has been organised by the London Enterprise Agency (LEntA) and is the first of a number of initiatives aimed at helping small companies win a bigger share of public purchasing contracts.

Representatives from the Property Services Agency, the Post Office, British Rail and North Thames Gas will be present.

Contact LEntA, 69, Cannon Street, London EC4. Tel.: 01-236 2676.

BBC 1

6.40-7.55 am Open University (Ultra High Frequency only). 9.20 Scooby and Scrappy Doo. 9.40 Jackanory. 9.55 The Wombles. 10.00 Take Hart. 10.20-10.30 Play Chess! †10.50 "Palm Beach" ("Interlude" film from the early-50s). 10.55 Cricket: Third Test—England v Pakistan from Headingley. 1.05 pm News After Noon. 1.35-1.50 Bagpuss. †2.38 Flirtation Waltz ("Interlude" film). 3.40 Home on Sunday. 4.18 Regional News for England (except London). 4.20 Play School. 4.45 Blue Peter Files the World. 5.10 John Craven's Newsround. 5.15 Animal Magic.

5.40 News.

6.00 Regional News Magazines.

6.25 The Show Me Show.

7.00 Hi-De-Hi!

7.30 "An Inspector Calls" by J. B. Priestley, starring Bernard Hepton, Nigel Davenport, Margaret Tyzack and Simon Ward.

9.00 A Day at the Zoo: Esther Rantzen reports on 24 hours in the life of London Zoo.

9.00 News.

9.25 Stocker's Copper by Tom Clarke, starring Bryan Marshall and Jane Lapotaire.

†11.00 "Maigret," from a novel by Georges Simenon, starring Rupert Davies.

11.50 Rough Sea On Rocks ("Interlude" film).

TELEVISION

Chris Dunkley: Tonight's Choice

I will say it again: any television company worth its salt should be producing a significant proportion of programmes good enough to demand repertory treatment. I refuse to join in the hypocritical chorus of sneers and derision which greets any season of television repeats. "Not that old thing again!" they cry, and promptly settle down to gloat and sigh over the quality of the good old days.

That quality is exemplified tonight in BBC-1's re-runs of the 1972 Bafta award winning play Stocker's Copper which was written by Tom Clarke (who also wrote this year's excellent "Muck And Brass," surely another award winner) and an episode from the 20-year-old series of Maigret, starring Rupert Davies as the saturnine French detective.

The play, about the 1913 Cornish play workers' strike, I recommend unreservedly. Jack Gold directed it at the top of his form and the location film work is superb. About the policier I am uncertain, having seen few of the original screenings and being less enthusiastic than some about Davies. He and the series were very popular, however.

ITV's schedule in the London area is a disgrace: at American crime series is followed by a repeat of a recent comedy and from 9 o'clock for three hours everything but the news is American rubbish, all of it set in Los Angeles.

LONDON

9.30 am Rocket Robin Hood. 9.50 ...Wild, Wild World of Animals. 10.15 The Nature of Things. 11.10 Bailey's Bird. 11.30 Paint Along With Nancy. 12.00 Pullover. 12.10 pm Let's Pretend. 12.30 The Sullivans. 1.00 News, plus FT Index. 1.20 Thames News with Robin Houston. 1.30 Emmerdale Farm. 2.00 After Noon Plus. 2.25 Racing from Epsom (covers the 2.30, 3.05 and 3.35 races). 3.50 Father Dear Father. 4.20 Runaround. 4.45 What's Happening. 5.15 The Real World.

5.45 News.

6.00 Thames News with Rita Carter and Colin Baker.

6.25 Help! with Viv Taylor Gee.

6.35 Crossroads.

7.00 Sapphire and Steel.

7.30 The Streets of San Francisco.

8.30 Shelley, starring Hywel Bennett with Belinda Sinclair and Josephine Tewson.

9.00 Best Sellers: Lloyd Bridges, Boddy Ebsen and Robert Wagner in "The Critical List."

10.00 News.

10.30 Best Sellers (continued).

11.30 City of Angels.

12.30 am Close: Sit Up and Listen with the Reverend Peter Lewis.

† Indicates programme in black and white

BBC 2

6.40-7.55 am Open University. 10.20-10.55 Play School. 1.25 pm Cricket: Third Test—England v Pakistan. †6.20 Laurel and Hardy Double Bill. 7.00 Junior Pot Black. 7.25 News Summary. 7.30 The Jam at Bingley Hall. 8.10 Arthur Negus Enjoys Alderney. 8.30 "The Last Waltz" directed by Martin Scorsese. 10.25 Cricket: Third Test (highlights). 10.50-11.55 Newsnight.

All IBA Regions as London except at the following times:—

ANGLIA

9.25 am Sesame Street. 10.25 Spread Your Wings. 10.50 Joe 90. 11.15 Speedway. 12.30 pm Gardening Time. 1.20 Anglia News. 3.50 Looks Familiar. 6.00 About Anglia. 11.20 Donovan in Concert. 12.20 am Forty Years On.

BORDER

9.30 am Larry the Lamb. 9.40 Evolution. 10.00 Cool McCool. 10.20 Survival. 10.40 Bailey's Bird. 11.05 Y1 Contact. 11.30 Spiderman. 1.20 pm Border News. 3.50 Looks Familiar. 5.15 Happy Days. 6.00 Lookaround Tuesday. 7.30 Anniversary Week: Never Been 21 Before—A special programme to mark the 21st Anniversary of Border Television. 11.15 Barney Miller. 11.45 Border News Summary.

CENTRAL

9.55 am In the Arms of the Octopus. 10.20 In Concert: The Blues Band. 10.45 The Incredible Hulk. 11.30 The Crazy World of Sport. 12.30 pm The Young Doctors. 1.20 Central News. 3.50 Looks Familiar. 5.15 Mork and Mindy. 6.00 Crossroads. 6.25 Central News. 7.30 Magnum. 11.20 Central News. 11.25 Mac Govie in Concert.

GRANADA

9.30 am Larry the Lamb. 9.40 Evolution. 10.00 Cool McCool. 10.20 Survival. 10.45 Bailey's Bird. 11.05 3-2-1 Contact. 11.35 Spiderman. 1.20 pm Granada Reports. 2.00 Hands. 3.50 Looks Familiar. 5.15 Noogy Days. 6.00 This Is Your Right. 6.05 Crossroads. 6.30 Granada Reports News. 6.35 Family Trees. 7.30 Simon and Simon. 11.20 Journey to the Unknown.

HTV

9.40 am Sesame Street. †10.40 Tuesday Morning Feature Film: "The Navy Lark." 12.30 pm Gardening Time. 1.20 HTV News. 3.50 Looks Familiar. 5.15 Diff'rent Strokes. 6.00 HTV News. 7.30 Simon and Simon. 10.28 HTV News. 11.20 Video Sounds.

HTV Cymru/Wales—As HTV West except: 12.00-12.10 pm Y Elifont Glas. 4.20-4.45 Ar Ei Ol. 5.00 Y Dydd. 6.15-6.35 Report Wales.

SCOTTISH

10.00 am Wilderness Alive. 10.50 Angling Today. 11.15 It's a Musical World. 12.30 pm Gardening Time. 1.20 Scottish News. 3.50 Looks Familiar. 5.15 Tales of Crime. 5.20 Crossroads. 6.00 Scotland Today. 6.30 Take the High Road. 7.30 The Incredible Hulk. 11.20 Late Call. 11.25 Bradford International Jazz.

TSW

9.30 am Sesame Street. 10.30 Feature Film: "Doublecross," starring Donald Houston and Fay Compton. 11.40 Custom Cars. 11.55 The Undersea Adventures of Captain Nemo. 12.30 pm Paint Along With Nancy. 1.20 TSW News Headlines. 3.50 Survival. 5.15 Gus Honeybun's Magic Birthdays. 5.20 Crossroads. 6.00 Today South-West. 6.30 Diff'rent Strokes. 7.30 Simon and Simon. 10.32 TSW Late News. 11.20 The Streets of San Francisco. 12.15 am Postscript. 12.20 South-West Weather.

TVS

9.35 am Untamed World. 10.00 "For The Love Of Ada," starring Irene Handl and Wilfred Pickles. 11.25 Cartoon. 11.30 A Full Life: Jill Cochrane interviews Edna Healey, wife of Labour Party Deputy Leader, Denis Healey. 1.20 pm TVS News. 3.50 Looks Familiar. 5.15 Diff'rent Strokes. 6.00 Coast To Coast. 6.25 Crossroads. 7.30 Simon and Simon. 11.20 Star Parade with Cliff Richard, Abba, and Nana Mouskouri. 12.18 am Company.

TYNE TEES

9.20 am The Good Word. 9.25 North-East News. 9.30 Friends of My Friends. 9.55 Classic Nouveaux. 10.25 Terry Fox—I Had a Dream. 11.20 Bailey's Bird. 11.45 Cartoon Time. 1.20 pm North-East News and Lookaround. 3.50 The Riordans. 5.15 Survival. 6.00 North-East News. 6.02 Crossroads. 6.25 Northern Life. 7.30 Simon and Simon. 10.30 North-East News. 11.20 The Living Legends of Jazz and Blues: Dizzy Gillespie. 11.45 Four Attitudes to Life.

YORKSHIRE

9.30 am Sesame Street. 10.30 "The Blue Bird," starring Shirley Temple. 11.45 Maglio Gorilla. 11.55 The Bubblies. 12.30 pm Looks Familiar. 1.20 Calendar News. 3.50 Calendar Tuesday. 5.15 Mr Merlin. 6.00 Calendar (Emley Moor and Belmont editions). 7.30 Simon and Simon. 11.15 Bradford International Jazz Festival: Bobby Wellins Quartet.

RADIO

(S) Stereo (when broadcast on VHF)

RADIO 1

5.00 am As Radio 2. 7.00 Mike Read. 8.00 Simon Bates. 11.00 Paul Burnett with the Radio 1 Roadshow from Plymouth. 12.30 pm Newsbeat. 12.45 Dave Lee Travis. 2.00 Steve Wright. 4.30 Peter Powell. 7.00 Talkabout. 8.00 Mark Ellen. 10.00-12.00 John Peel (S).

RADIO 2

5.00 am Ray Moore (S). 7.30 Terry Wogan (S). 10.00 Jimmy Young (S). 12.00 Diana Dors (S). 2.00 pm Ed Stewart (S). 4.00 David Hamilton (S). 5.45 News; Sport. 6.00 Jon Leeming (S). 8.00 The Magnificent Minnellis (S). 9.00 Listen to the Band (S). 9.30 The Organist Entertains (S). 9.55 Sports Desk. 10.00 Tom O'Connor at the Variety Club with Alan Randall, Stutz Bear Cats, and Lorne Dallas. 11.00 Brian Matthew presents Round Midnight from the Edinburgh Festival (stereo from midnight). 1.00 am Encore (S). 2.00-5.00 You and the Night and the Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Morning Concert (S). 8.00 News. 8.05 Morning Concert (continued). 9.00 News. 9.05 This Week's Composers (S). 10.00 British Piano Music (S). 10.55 Vienna Mozart Ensemble (S). 11.35 English Songs (S). 12.10 pm Midday Concert, part 1 (S). 1.00 News. 1.05 Six Continents. 1.25 Midday Concert, part 2 (S). 2.00 Flute, Piano, Guitar recital (S). 2.50 Lassus choral music (S). 3.10 Cheltenham Festival 1982 (S). 4.55 News. 5.00 Mainly For Pleasure (S). 6.30 Jazz Today (S). 7.00 Let the Peoples Sing (S). 7.30 Proms from the Royal Albert Hall, part 1: Corelli, Bach, Handel (S). 8.20 What Books I Please (Colin McLaren on Rudyard Kipling). 8.40 Proms, part 2: Bach (S). 9.30 John Sparrow on . . . Dogs. 9.45 Carborus, Mine and Own (S). 10.15 Apocryphal Stories by Karel Capek. 10.20 If it's Ever Spring Again (S). 11.15-11.18 News.

Medium Wave as VHF above except: 10.55 am-6.30 pm Cricket: Third Test—England v Pakistan.

RADIO 4

6.00 am News Briefing. 6.10 Farming Week. 6.25 Shipping Forecast. 6.30 Today. 8.43 Dieu et Mon Droit by Sylvia Townsend Warner. 8.57 Weather; travel; continental travel. 9.00 News. 9.05 Tuesday Call—Space Exploration. 10.00 News. 10.02 From Our Own Correspondent. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.03 Thirty-minute Theatre (S). 11.33 Wildlife. 12.00 News. 12.02 You and Yours Investigates the advice agencies. 12.27 Quote . . . Unquote (S). 12.55 Weather; travel; programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 A Dance to the Music of Time (S). 4.00 News. 4.02 And Now—For Silence (S). 4.10 Freedom City. 4.40 Story Time. 5.00 PM: News magazine. 5.50 Shipping Forecast. 5.55 Weather; programme news. 6.00 News and Financial Report. 6.30 Brain of Britain 1982 (S). 7.00 News. 7.05 The Archers. 7.20 Medicine Now. 7.50 Poor Britain: Life on and below the breadline. 8.20 The Creatures of Kali. 9.05 In Touch. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Paul Jones on Music (S). 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 A Chapter of Adventures (portrait of Rider Haggard). 12.00 News.

Norfolk Flight in fine form for Epsom

WILLIAM Hastings-Bass, whose Marriott stables are, reportedly, destined for David Morley at the end of this season, does not saddle the much-vaunted Remorseless at Epsom today.

However, it will be surprising if he fails to add to his tally there, as both Wiveton and Norfolk Flight look to be in with winning chances.

Wiveton, who landed both an go-course and off-course gamble when getting up in the last strides of Haydock's Harvey Jones Handicap early last month to touch off Earl's Court, must be expected to follow up in the Steve Donoughue Apprentice Handicap.

The Blakeney gelding owned by Lord Derby, whose ancestor gave his name to Epsom's most famous race, was conceding 21 lb to the runner-up in that event and will be seen to equal advantage over today's slightly longer trip.

He should not be hard pressed to concede upwards of 18 lb to his three opponents: Crimson Royale, Steel Kid, and Record Answer.

RACING

BY DOMINIC WIGAN

Norfolk Flight, one of 10 runners for the Chalk Lane Stakes 35 minutes later is also in good form and will I anticipate, prove up to conceding weight to Newmarket's course and distance winner, Charlie's Prospect.

Norfolk Flight, another brown gelding by Blakeney, could find the veteran Hampshire a more serious problem. Last time out this eight-year-old ran his usual game race when chasing home Redden and Ice in Brighton's RPA Betting Office's Handicap. He meets the winner Redden on better terms by 6 lb.

Blushing River, a chestnut colt by that superbly fast miler, Blushing Groom, out of a Lyphard mare, looks to be the answer to the Rubbing House Stakes.

EPSOM

2.00—Raklawa
2.30—Blushing River*
3.05—Jose Collins
3.35—Wiveton
4.10—Norfolk Flight***
4.45—Suffred

CHEPSTOW

2.15—Miss Posy**
2.45—Singleton

BUSINESSES FOR SALE

Readers are recommended to take appropriate professional advice before entering into commitments

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

Tuesday August 31 1982

The relics of Maoism

LIKE A great director before the first night Deng Xiaoping, the diminutive maestro of Chinese politics, is putting the finishing touches to the most important production of his remarkable career.

The curtain goes up tomorrow on the 12th congress of the Chinese Communist Party. It will be a great and glittering occasion and for Deng, twice eclipsed and humiliated in the long march since liberation in 1949, and now nearing the end of active political life, it must go right on the night. For the past 30 years China has done little more than tear itself apart, wasting in the process endless reserves of talent, ingenuity and energy. For Deng this may be the last chance to set the country on a steady course for the next decade.

Proteges

Deng is above all a pragmatist who eschews grand designs. He has wisely chosen, with exceptional skill and guile, to outmanoeuvre the die-hard supporters of his great ideological opponent, Mao Tse Tung, since the latter's death in 1976. Frequently sacrificing policy for getting his people into the right jobs and ideology for practical gain, he has inched forward. In the process he has provided a badly needed dose of pragmatism into a political and economic system which for the past two decades or more has suffered from wild and unpredictable swings of the ideological pendulum.

Deng's proteges, premier Zhao Ziyang, party chairman Hu Yaobang and others, have done well enough to stay in the saddle over the past few years. But the feeling persists that, without Deng at the reins, they could still be unseated. That is why the congress has especial importance.

Damage

A new constitution which promises to sweep away the final vestiges of Maoism is likely to be unveiled, diluting, at least in theory, the omnipotence of the Communist Party. Sweeping reforms of the leadership structure, some of which have already been put into effect, are likely to be endorsed. The Politbureau and the Central Committee may be reshaped to suit the pragmatists and to oust the ideological die-hards.

The all-powerful post of party chairman may be abolished. The practical significance of such a move remains to be seen, but its symbolism is of enormous importance. Mao skilfully used this position to establish himself as a demigod for 27 years, inflicting, as he became older and more senile, appalling damage through a combination of mystique and patronage on a country still struggling with poverty, residual feudalism, and the dead hand of the Communist Party.

Much of what is emerging now may be cosmetic. Deng is certainly no liberal. China is likely to remain a totalitarian state in the grip of a party which frowns on individual initiative. The leadership changes may not make any real difference. Deng's strategy pushing ahead with change also carries with it enormous risks since he seems on the point of launching a major purge of the party itself at all levels.

Contradictions

Some of his reforms have been bitterly contested already. The renewed emphasis on heavy industry, a clampdown on contact with foreigners, growing attacks on the "evil influence" of western values brought to China by the opening up of the economy, and the return to the sterile authority of earlier years in culture and education are merely some examples. More worrying for the outside world, which wishes to trade with China and entice it into a more comfortable, working relationship, has been the ferocity of Peking's opposition to the U.S. administration's admittedly inept handling of the Taiwan issue.

Three decades after the Communists took power China has yet to resolve the two fundamental contradictions which have determined its erratic progress so far. The first is how to achieve material success without sacrificing ideological purity. The second is how to achieve that success without laying itself open to an invasion of foreign technology and alien Western values, which threaten its integrity as a great civilisation.

How to make education work

THE VALUE of education is cultural and social as well as economic and cannot be measured solely by its contribution in terms of material wealth. But as was pointed out by the National Institute of Economic and Social Research last week, spending on education by most developed countries has become so heavy that "it was necessary to specify which kinds of educational activity are economically profitable, and also to be aware of the economic costs of supporting other types of education which require to be justified on non-economic grounds."

In Britain, where the expenditure has risen from about 3.5 to 8 per cent of gross national product in 20 years, the visible outcomes are largely dismal. The advocates of the expansion expected it to provide at least two distinct and general benefits. One was greater social justice, particularly by extending the opportunity of higher education to many more children of semi-skilled and unskilled workers.

The other main benefit was directly economic. It was thought that by giving more education to young people before they began work, we would ensure higher national productivity and living standards for all.

Neither expectation has been fulfilled. Families of semi-skilled and unskilled workers account for three-fifths or more of the population. But their children still constitute only about a quarter of students in higher education. The failure of the economic hope is plain. While the average time spent in full-time education remains lower in Britain than in the U.S., our average is if anything higher than that of the West Germans.

Resources

In the words of the National Institute's review: "A lack of total resources committed to education does not therefore appear to be a reason for Britain's low productivity or low growth in productivity . . . The directions in which those resources have been committed must therefore come under scrutiny."

In seeking more economically profitable directions of investment, Britain should look further at the example of West Germany. Although the average time spent by its citizens in conventional classroom studies is relatively modest, Germany far exceeds Britain in the investment of money and social esteem in training, particularly of the apprenticeship kind. As a result, young people there have their attention concentrated more extensively on the practical skills and importance of productive work.

It is unlikely to be pure coincidence that the different German approach to the preparation of young people for adult life has been associated with economic success. The case for shifting the emphasis of the British approach in the same direction is made stronger by the evident importance to this country's future of ability to exploit fully the applications of advanced technology.

The development of that ability requires young people to spend less time in learning by theory in classrooms and more in learning by doing in laboratories and school workshops and, for older pupils, by attachments to employing organisations.

Expenditure

Despite the academic profession's disparagement of the present Government for cutting expenditure on conventional education, the Government has done more than any of its recent predecessors to begin the necessary change.

Sir Keith Joseph, the Secretary for Education and Science, has accepted a degree of managerial responsibility for bringing the development of courses in universities and polytechnics into line with national social and economic policies; and he has initiated a £2m-a-year project to devise practical school curricula for children whose aptitudes and interests are in learning by doing. Other Ministers have been instrumental in expanding programmes for the development of training.

But they have unwisely neglected a step which seems essential if Britain's approach to the preparation of children for adult life is to become successful. The step is to abolish the division of responsibility for education and for training between different Government departments and commissions.

Until responsibility for both is vested in a single ministry, there is little prospect of training's being regarded — as it should be — as an indispensable part of education, rather than as an activity suited only to young people who have failed in academic studies and are destined for at best lowly occupations ever after.

BRITAIN'S BLACK BUSINESSMEN

Why it is harder to start a business if you are black

By Lisa Wood

Trevor Humphries

Mr Abdul Shamji (left), chairman of the Gomba group of companies and Mr Justice Lewis, managing director of Ebony Greeting Cards.

MARK COOKE came to Britain in 1958. Today, aged 38, he is joint managing director of Tridata Micros, a Birmingham-based company which develops and markets business accounting software for use in micro-computers.

Tridata, now four years old, employs 12 people, has made a profit for the last two years and expects a turnover of £240,000 this year. All its employees are white, except one, and that is Jamaican-born Mr Cooke.

Justice Lewis, an RAF-trained telecommunications engineer and Anthony Hill, an accountant, set up Ebony Greeting Cards in 1978 with capital of £5,000. Since then Ebony, which specialises in designing and manufacturing greeting cards for the "black" market, has quadrupled its print run to 250,000 cards a year and extended its design range from six to 63.

The two men are examples of a rare phenomenon—successful black British businessmen. For while it is difficult for anyone, black or white, to start a business—particularly in the present economic climate—recent research suggests that would-be black entrepreneurs face particular problems.

Barclays Bank estimates, for example, that only about 3 per cent of blacks are self-employed in mainstream business compared with 13 per cent of Asians and 10 per cent of whites.

Most businesses run by blacks are in the service sector—such as TV and video or record shops, hairdressers, restaurants and construction. There are relatively few manufacturers.

Lord Scarman, in his report on the Brixton disorders last November, spelt out why it was important for society that West Indians were brought into the business community.

"The encouragement of black people to secure a real stake in their own community through business and the professions is of great importance if further social stability is to be secured," he said.

The message remains as relevant today: an increasing number of blacks, disproportionately affected by unemployment and fearing racial discrimination in seeking a job, are trying to establish small businesses.

They face two key problems: "access to commercial capital and management skills," according to a recent parliamentary select committee report on racial disadvantage.

Banks, the report said, vary widely in their lending attitudes to ethnic minorities. "Some managers appear to require an undue amount of collateral for a loan, possibly as a result of stereotyping of West Indian entrepreneurs as a bad risk—a stereotype not supported by the experience of those banks who have made business loans to West Indians."

Setting aside the issue of racial discrimination, which is real but difficult to prove, there seem four basic reasons for these difficulties:

● Lack of collateral. Blacks, concentrated in lower-paid unskilled jobs, find it difficult to accumulate start-up capital. A higher proportion of blacks than white or brown people live in council accommodation and are therefore unable to offer the deeds of a house as collateral.

● Lack of business experience. Mr Martin Kazuka, a Guyanese-born business consultant, says in a report on ethnic enterprises in Hackney, east London, that because blacks have fewer education and employment opportunities than whites "the requisite managerial experience necessary for running a business efficiently is almost non-existent." He estimates that up to 50 per cent of all business failures, black or white, are due to "poor management."

In contrast, the UK Asian community has a substantial middle-class professional element and many families have a traditional involvement in business. There are also several Asian banks with branches in the UK.

● Social attitudes formed by the experience of immigration to the UK. Many blacks point to the success of West Indian immigrants to the U.S. But Mr Tony Wade, chairman of the 250-odd strong UK-Caribbean Chamber of Commerce, points out that American immigrants "had a different approach and attitude to us, knowing they would have to fight for opportunities.

"We were brought up to think of Britain as the mother country and believed that if we worked industriously we would share the benefits. That did not happen."

Contrast this attitude with that of Mr Santokh Singh Bhambra who, with only £50 in his pocket, was forced to flee Uganda 10 years ago this month. A chartered engineer by profession he was refused a loan by a Birmingham banker, despite having his Ugandan bank statements which showed the profitability of his former business.

Mr Bhambra, now owner of an electrical shop in Handsworth, Birmingham, did ultimately get a loan through persistence. "We were used to this treatment," he says. "Our parents told us stories about hardships when they went to Uganda. We knew life would be hard and were prepared."

● Communication difficulties between a white bank manager and a black client. The story of Ms Rosemary Arnold, a middle class black South African, is an example.

She wanted a £60,000 loan to start a restaurant in Brixton, where she lives. Helped by the London Enterprise Agency (Lenta)—set up by big business to help small companies—she drew up a plan and approached her bank manager.

"Talking to a senior banker in Sloane Square about a restaurant in Brixton is an unbelievable experience," she says. "He could not understand why anybody should want to open a restaurant there."

Helped by Lenta, she secured a loan from the Industrial and Commercial Finance Corporation (ICFC), as well as receiving strong financial support from her local branch of Lloyds Bank.

The banks are responding to such criticism. All four clearing banks have appointed business advisors with special responsibility for ethnic minorities during the past year.

Mr John Ridgeway, the appointee of Barclays Bank, is a former deputy manager in London's East End. He spends much of his time visiting his bank's branches and talking with customers, often on their own premises. "All banks," he says "have to improve communications. Very often I find a bank manager with a genuine desire to know asking questions that seem aggressive to black customers and the barriers go up."

Blacks, he says, feel that if there were black bank managers customers would be more trusting in giving full information about their circumstances.

"It has been suggested that black managers from Barclays' branches in the Caribbean be offered opportunities in the UK. But they would not necessarily understand British business problems. Anyway, why should a black manager want to go to Brixton, not Knightsbridge?"

Mr Ridgeway says that black managers will emerge in time through the bank's career structure. Positive discrimination for training is allowed in the Race Relations Act but he argues that accelerated training for blacks could cause resentment among white employees.

None of the clearing banks admit to monitoring their staff by ethnic origin, but it is understood that all are busy identifying blacks with manager potential.

An exciting new development to help black people present their business plans to the banks is the growth of business consultancies staffed by blacks.

Mr Jonathan Emanuwa, a Nigerian-born 29-year-old with an MA in business administration, set up New World Business Consultancy in Camberwell, south London last year with the aid of a £40,000 grant from the Greater London Council, and some funding from the banks and Wates, the builders.

Mr Emanuwa, a forceful but diplomatic man, has an all-black team of five. "There are people," he says "who feel greater confidence in approaching us. If a Jamaican goes in to see a bank manager and speaks patois he is disadvantaged from the word go."

Most of New World's clients wanting loans need £5,000-£10,000. About 40 per cent for whom it tries to raise money are successful. Mr Emanuwa thinks more of them deserve financial help and wants to see the banks, or Government, set up a special fund to aid black business. The Government, he argues, has regional policies to aid disadvantaged regions — so why not special financial packages to aid disadvantaged people?

Whether or not specific funds should be earmarked by the Government for black start-up capital is politically controversial. The present Government argues that to do so would antagonise sections of the white community and might not be very productive anyway.

Many believe the most crucial need is management advice. Mr Cooke, for example, had 16 years' experience in the computer industry before setting up his own business. Mr Lewis, of Ebony Greeting Cards, says his success is due to a combination of "business expertise and dedication."

PARK LANE EMPIRE OF AN AMIN REFUGEE

ABDUL SHAMJI (pictured above) has built up a trading and industrial empire of impressive size since he fled from Idi Amin's Uganda 10 years ago.

The 49-year-old businessman of Gujirati descent now directs his hotel, trading, handbag-making and vehicle assembly interests from offices in Park Lane. His Gomba UK group of companies has an annual turnover of around £10m, though Mr Shamji is coy about revealing profit. Group companies employ more than 500 people.

Mr Shamji was no business newcomer when he came to Britain. He was forced to leave behind him a sizeable company engaged in car assembly, construction and hotels.

His first deal in Britain was arranging a shipment of Johnnie Walker whisky and cutlery to Zaire.

From there he went into house repairs and second-hand car sales—"anything which came to mind." He increased his export business, shipping clothing, cutlery, crockery to Kenya and Nigeria. Watches from Hong Kong were sold to Iran. With no knowledge of running a shipping line and unable to raise finance in Britain, Mr Shamji negotiated finance in India and arranged for an Indian shipyard to build six vessels in 1974.

After forming a joint venture with a subsidiary of the Common Brothers line of Newcastle-upon-Tyne, he sold his interest in the successful shipping business to a Dutch company shortly afterwards.

Since then he has featured prominently in rescuing failing companies. In 1976 he took over a Blackburn company making leather handbags.

In March of last year Mr Shamji got back into the automobile business. He paid a seven-figure sum for the Scottish maker of four-wheel drive trucks, Stonefield Vehicles.

Stonefield's Ayrshire factory had been largely paid for by the Scottish Development Agency. It went into receivership when the agency decided further development would be too expensive.

Despite protracted wranglings with the suppliers of tools, stocks and engineering drawings Stonefield has since produced more trucks under Gomba than it did in the previous four years together, claims Mr Shamji, who believes fervently that massive injections of public funds will not solve the problems of British industry.

Mr Shamji's political views are clear. He has entertained Mrs Thatcher to dinner at his home and the Prime Minister poses in the cab of a Stonefield truck in a picture hanging above his desk.

He denies ever encountering racial discrimination during his time in Britain but concedes the extended Asian family system allows a rapid accumulation of wealth and may provoke jealousy. British executives outnumber Asians 3 to 1 in the top levels of the Gomba organisation but Mr Shamji says he has helped fellow exiles when he has been in a position to do so.

Charles Batchelor

Men & Matters

Coping together

Fashion to fruit machines group Cope Allman is beginning to think about expansion again after a couple of lean years. And in order to concentrate on such strategic, longer-term planning, chairman and chief executive Louis Manson is splitting the dual role he has filled for the past nine years.

"The restructuring of the group is entering its final phase," he tells me. "By the end of the year, the turn around in our activities should be complete and it seemed a good time to make the change."

In October, Manson will hand over day-to-day management of the group to Michael Doherty, currently running an equally mixed bag of operations as chief executive of Inchcape UK.

A one-time partner in accountants Turquands Barton Mayhew, Doherty joined one of the firm's clients Sime Darby London as finance director in 1973 just as the Pinder affair erupted in the Far East parent.

In 1975, Doherty moved to be finance director of another Far East trading company, Anglo-Thai Corporation, which he had also got to know during his auditing days. He stayed on when it was taken into the Inchcape group, and became managing director in 1978. Since January, he has been in charge of Inchcape's varied operations in Britain from car sales to commodity trading.

Doherty was head-hunted for Cope Allman and says his decision to move was made before the news in June that Sir David Orr is to take over as executive chairman of the Inchcape group.

After seven years within a large concern, he says he thought it would be better at the top of a smaller one. "I have been a bit like the chief engineer in an aircraft carrier with the commands coming down to me. Now I am joining a frigate — but I will be on the bridge influencing the speed and direction."

Sound barrier

No flights of fancy by Aviation Minister Iain Sproat at the weekend.

Having a week ago referred to the "quagmire of perks and privileges" he had found at British Airways, the grandiloquent junior minister decided he had better not accept a suggested free "familiarisation" trip by BA Concorde to New York.

So Sproat stayed at home yesterday as "duty minister" for the Department of Trade and, some of his officials hope, familiarised himself instead with the problems of fulfilling his promise to have BA's privatisation plans ready within the next 12 months.

"It would have been a bit of a luxury for him to go to New York at this stage since he is going in October anyway," a DoT press officer explained.

Spaced out

Space invaders are gradually being driven out of the Far East, it seems. The Malaysian Government is now being urged to follow the lead of Indonesia and the Philippines in banning video games.

The boom in electronic entertainments over the past two years, according to Dr Martin Khor of the Influential Consumers' Association of Penang, has brought with it serious social and cultural problems. "These games glorify violence, destruction, space war, killing and racing," Khor says. "Some games require the player to drive a speeding car into a road full of pedestrians."

Children were stealing and cheating their parents to get money to play the machines. Schools complained that pupils' work was suffering because of the craze.

Kuala Lumpur has already decided to revoke the licences for nearly 500 video machines operating in city shops at the end of the year. Tougher conditions are also being imposed on other operators.

It does not look as if it will be long before the space war is over and, Khor says, the kids can go back to the traditional and less harmful pursuits of flying kites and spinning tops.

Radiant appeal

Liz Brown writes a friendly letter—as a few thousand people throughout Britain will learn in the coming months. For this Scots-born sociologist wants 2,000 householders to help her measure the amount of radiation in their homes.

Radio-activity seeps naturally from rocks and from the materials dug out of the ground to build houses. If people follow the Energy Department's instructions this winter to seal their homes against loss of heat, they will also be sealing in the radio-active radon gas.

So the National Radiological Protection Board, which tries to protect us from over-exposure to radiation, wants to find out just how serious a problem natural radio-activity might be in Britain.

A colleague has dutifully responded to Liz Brown's appeal by placing two of her "dosimeters"—which look like pill pots and measure radon gas and gamma rays — in a bedroom and living room of his brick-built Buckinghamshire cottage.

After six months, they will be posted back to her to see how much radio-activity they — and he—have collected.

More than half of those approached so far have agreed to help, Brown says. "Very good for a postal survey". A few wanted more details; a few politely declined; and "a small minority" refused more brusquely to have anything to do with it.

There does not seem to have been any differences in the response from those regions which have been most vociferous in opposing nuclear energy, including Cornwall where early sampling shows very high levels of natural radiation in homes.

But the NRPB has not yet decided whether, when all its pots have been returned in two years' time, it will tell its "guinea pigs" how much radiation they are soaking up in front of their TV sets during the long winter evenings.

Delayed action

Though RIT went to great lengths to explain the industrial logic of last week's deal in which it is taking a 29.9 per cent stake in stockbrokers Kitcat and Aitken, there is no doubt that one of the most potent attractions of the link-up was Nils Taube, Kitcat's respected senior partner.

Taube will be joining Jacob Rothschild and old friend David Montagu at RIT. Back in 1962, when David Montagu was working at his family's bank, he offered Taube a job in investment management. "I've just taken a while to make up my mind," Taube tells me.

Of course

A reader lunching at a London hotel tells me that a woman sat down at the next table, waved aside the proffered menu, and said she just wanted "something very light and very fast."

The waiter raised an eyebrow and replied politely: "May I recommend, madam, Sebastian Coe?"

Observer

هكذا من الأطلال

FINANCIAL TIMES SURVEY

Tuesday August 31, 1982

Malaysia

Under its new and controversial Prime Minister, Dr Mahathir Mohamad, Malaysia is becoming ever-more politically confident both at home and abroad. But with economic stormclouds gathering, this fresh self-confidence is about to undergo severe test. The Government has above all to reconcile the demands of an increasingly sophisticated electorate with the harsh facts of recession

CONTENTS

Currency note: Malaysian dollar (M$) and ringgit are both used in this survey and are equivalent.

New regime marks end of an era

THE LOWERING of Britain's flag over Malaysia 25 years ago was a gentlemanly affair. The Alliance leadership which stepped into the colonial administration's shoes was conservative, English-educated, upper middle class and not keen to see radical social or economic change.

It has taken all of those 25 years, and the rise to power of Dr Mahathir Mohamad, to bring an end to all that.

From university in Singapore and a medical career in Malaysia's poor north-eastern state of Kedah, Dr Mahathir has little in common with his predecessors. After a year at the helm his administration has brought about a revolution in style and there can be little doubt that changes of substance lie ahead.

During the elections in April which gave Dr Mahathir and his deputy Datuk Musa Hitam (together called the "2-Ms" government) a larger parliamentary majority than any previous administration whole phalanxes of new men were promoted through the party ranks as members of the "old guard" were unceremoniously pushed aside.

On a campaign slogan of "clean, efficient and trustworthy" government Dr Mahathir has put an electric shock through the country's bureaucracy. Corruption may not yet have been rooted out but the corrupt now have to be more discreet than ever in the past.

What was left of Malaysia's umbilical cord to Britain was symbolically severed in October last year with a "directive" that government departments should not buy British where an alternative exists. A "Look East" policy, urging Malaysians to find inspiration in the work ethics and work methods of the Japanese and South Koreans, followed hot on the heels of the directive.

In his impatience for change, however, Dr Mahathir has paid little open attention to the immense achievements of his country over 25 years of independence.

In 1957 Malaysia was a classic example of a colonial plantation economy. It was dominated by rubber and tin, as it had been since the turn of the century. Together these two products accounted for 80 per cent of the country's exports.

By last year, with a Gross Domestic Product that had grown tenfold to over M$28bn, rubber and tin were just as important in dollar terms but had long been overtaken by manufactures, along with oil and gas, as leading export earners. New commodities like palm oil and cocoa had been introduced, broadening the country's agricultural base.

Today Malaysia leads the world in five export products. It provides 56 per cent of the world's palm oil, 42 per cent of its rubber and pepper, 37 per cent of its tropical hardwoods and 32 per cent of its tin.

With its economy still growing at 6 per cent, inflation in single figures and unemployment barely noticeable, Malaysia is a country where absolute poverty has virtually disappeared. No surprise then that it has one of the best credit ratings in the developing world.

While Britain has been blamed for many colonial sins, at least some of Malaysia's progress of the past 25 years is thanks to foundations laid by the British. Plantations had been well run and a good infrastructure of education and communications had been laid. A solid administrative structure was in place, as were stable political institutions.

Despite an auspicious beginning there were times in the 1960s when stability in Malaysia—and in South-East Asia generally—was in serious doubt.

Establishment of the Malaysian Federation in 1963 stirred up a hornets' nest of regional rivalries, in which President Sukarno of Indonesia vied for regional domination through a policy of military "confrontation" and the Philippines made claims to part of the federation. These have still not been formally abandoned today. Singapore broke away under Lee Kuan Yew in August 1965.

To make matters worse the Vietnam war raged just 500 miles away at a time when Britain, which had until then provided Malaysia's defence umbrella, was drawing its forces back west of Suez. A turbulent and xenophobic leadership in Peking fuelled Communist movements operating in the dense jungles of Malaysia and sourthen Thailand.

While Tan Sri Ghazali Shafie, Malaysia's Foreign Minister, may talk today of the threat to the region of the current conflict in Indochina, the stability of the region is profound by comparison with those unsettled days. Much of the credit for this stability should go to Malaysia and its regional partners in the Association of South-East Asian Nations (ASEAN)—an idea first mooted to a sceptical world by Indonesia in 1967.

Inside Malaysia the unrelenting theme of political activity has been the country's volatile racial mix—a problem unwittingly created by the British colonial administration. A shocking awareness of racial conflict was thrust on the then government in 1969 when in the wake of election victory celebrations by opposition Chinese parties large numbers of the country's impoverished Malay population ran amok.

The bloodbath that followed has provided the focus for political activity and economic policies ever since. The New Economic Policy (NEP) laid down in 1970 is a 20-year programme aimed at eliminating the gap between Malaysia's comparatively affluent Chinese minority and the poor rural Malay majority.

Fear of renewed racial conflict has caused successive administrations in Malasia to cling to a "softly softly" approach in all areas of policy. Perhaps the most profound revolution to hit the country since Dr Mahathir became Prime Minister in July last year is his abandonment of this approach.

> **World Recession: "We are figuring out how to tackle the problem and the most important move so far is to cut down on our expenditure, to reduce government spending, to live within our means and to be more productive. Although the recession will continue to have a very deleterious effect on the economy it will not be as bad as most other countries."—Dr Mahathir Mohamad, Prime Minister**

While not openly admitting that he sees political virtue in the conscious use of shock treatment Dr Mahathir certainly does not believe in being gentle. If he sees his approach involving greater risks, then he certainly does not admit as much.

One of the first communities to feel Dr Mahathir's shock treatment has been the British business community. Keen to provide fresh impetus to the NEP and irritated at the "overly negative" attitude of British companies to the dilution of foreign control — particularly in the sensitive plantations sector — the Prime Minister has "declared war" on the UK.

Alongside the directive not to buy British goods wherever possible, the Malaysian Government has sponsored a huge sharebuying operation to bring British-owned plantation companies under Malaysian control. The effort has succeeded, though it may have cost the Government about M$3bn. "We are prepared to pay the price," says Dr Mahathir.

This heavy purchasing programme could hardly come at a worse time for the economy. World recession is at last beginning to take its toll inside Malaysia, with all commodity prices at record lows. About M$4bn is in the process of being cut from this year's budget and even sterner measures will be needed if the recession continues.

The damage being done by the recession—seen as being the result of ill-conceived and irresponsible economic management in the U.S.—has taught Dr Mahathir's Government an important lesson. As an exporter of primary commodities its economy is too reliant on the fate—and the whims—of the world's major economic powers.

In future, in an effort to insulate the economy, greater attention is likely to be given to building up the country's own industrial base. Its own market of 14m people may be small but it is increasingly affluent. Moreover, put into the context of the fast-growing ASEAN region even the problem of a small market may not become serious.

After a decade of remarkable stability in the region Dr Mahathir and his team are increasingly concerned that world powers like the U.S. have come to take this stability for granted.

What has been forgotten, Dr Mahathir notes, is that this stability is based on the premise of rapid economic growth. Lose the growth momentum and such stability can no longer be taken for granted even in a country as apparently sound as Malaysia. Rising economic expectations, resurgent Islamic fundamentalism and the constant threat of Communist insurgency mean that the industrialised West neglects this region at its peril.

David Dodwell

MAIN POLITICAL PARTIES

Within the ruling National Front coalition:

UMNO: the United Malays National Organisation, supported by the Malay community and the dominant party in the ruling coalition. The leader of UMNO automatically becomes Prime Minister.

MCA: The Malaysian Chinese Association: the "establishment" Chinese political party usually closely associated with the business community.

The opposition:

DAP: The Democratic Action Party. Claims to be a multiracial party and has some non-Chinese members but attracts mainly middle class and poorer Chinese voters.

PI (sometimes known as PAS): Parti Islam: Fundamentalist Moslem party, once part of the ruling coalition, advocating stricter Islamisation in Malaysia.

MAIN RACIAL GROUPS

Bumiputras: Literally "sons of the soil," usually defined as "the Malay races"; these form the majority of Malaysians (around 52 per cent) and are made up of Moslem Malays on Peninsular Malaysia and Malays and indigenous tribal people in the eastern states of Sabah and and Sarawak.

Malaysian Chinese: A substantial minority of Malaysians (38 per cent) are ethnically Chinese. There are significant Chinese populations in Sabah and Sarawak.

Indians: Make up around 10 per cent of the population of Peninsular Malaysia.

Total population 1980 (m)	13.600
Peninsular Malaysia:	
Malays	6.120
Chinese	3.920
Indians	1.186
Others	0.802
Sarawak	1.248
Sabah	1.052

Economy set to weather bad spell

PROSPECTS for the Malaysian economy under the cloud of world recession are far from bright. Last year saw the first trade deficit in the country's history as commodity prices plunged to record lows and Malaysia's terms of trade deteriorated by 17 per cent. The Government has called for austerities and is to make deep cuts in spending, mainly on defence.

But this deterioration should not be allowed to obscure the very real achievement of the past 25 years. Economic growth has averaged more than 8 per cent over the past decade. Gross Domestic Product (GDP) has more than quadrupled to M$28bn.

Even more significant, from a classic colonial plantation economy in 1960 relying on rubber for 62 per cent of its export earnings and tin for a further 17 per cent the country has diversified strongly into manufacturing—which now accounts for almost 20 per cent of exports—and into new commodities like palm oil (9 per cent of exports) and timber (14 per cent of exports).

The discovery of oil and gas has also made a considerable difference. Oil exports now account for almost 29 per cent of export earnings.

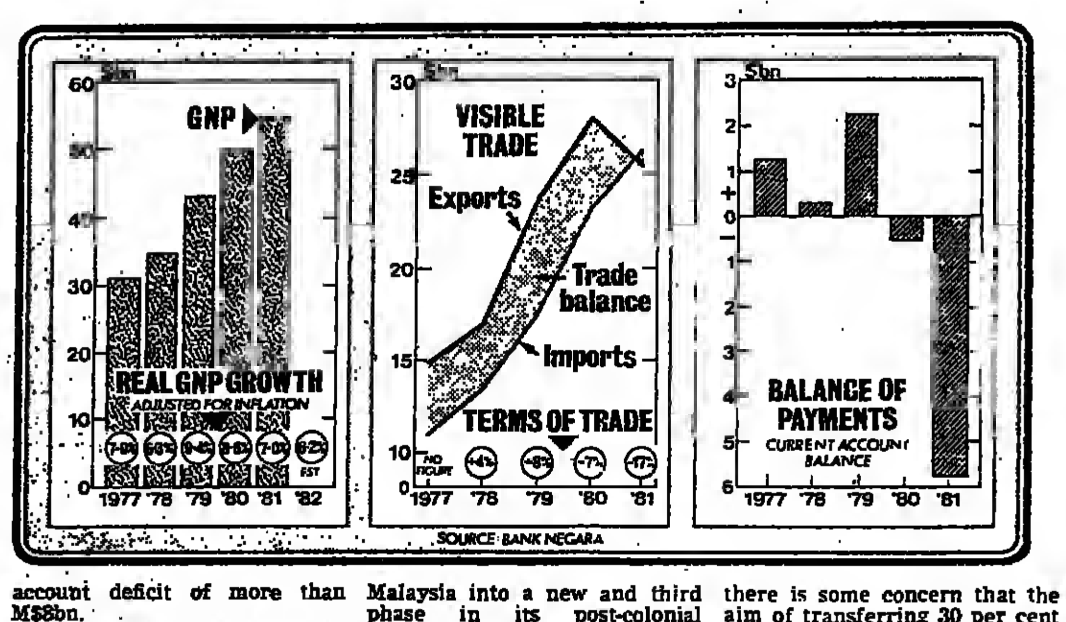
It is a measure of the country's resilience that economic growth for the present financial year is still targeted for 6 per cent and that strong counter-cyclical policies are to be maintained to keep the worst effects of the recession at bay.

Officials also emphasise that the recent call for austerities—about M$4bn is to be cut from Government spending this year—is a precaution rather than a crisis measure.

"In fact the recession may prove to be a blessing in disguise," said one senior Government official. "The economy has been expanding relentlessly since independence and it may be useful to stop and take stock. When you are flush you may not be allocating resources in the best way. This will force us to economise."

Sanguine as officials may still be, the country's balance of payments problems are severe. Following a visible trade surplus of over M$7bn in 1979 and of almost M$5bn in 1980, Malaysia last year suffered a deficit for the first time in its history—of M$890m.

Current indications imply 1982 will be even worse. The visible trade deficit for the first quarter of the year was M$460m as export earnings fell a further 8.9 per cent in annualised terms. Tungku Razaleigh Hamzah, the Finance Minister, forecasts a trade deficit for the year of over M$2bn. Added to the usual deficit on services this is likely to lead to a current



account deficit of more than M$8bn.

Even after the expected strong inflows of capital the country is likely to face an overall balance of payments deficit of M$2bn, forcing further drawings from reserves. In the three months to March last, reserves shrank by M$1.3bn to M$8.58bn, covering less than 3.9 months of imports. A year ago reserves provided 5.3 months of import cover.

Since the Government is heavily dependent on taxes on commodity exports for a large part of its funding, the slump in world demand for Malaysia's primary products is forecast by the Finance Minister to create cash flow problems in the year ahead.

Spending cuts are the first precautionary move. But if the problem becomes more acute the Treasury is likely to put increasing pressure on Petronas, the country's national oil company, to boost oil exports despite the recent decline in world prices. Output is already about 20 per cent above last year's average of 280,000 barrels a day.

Despite current adversities Malaysia can be confident that any upturn in the world economy will have an immediate impact on its own economy.

Over the past three years all Western industrial manufacturers have cut stocks to a minimum. An upturn in world trade will not only have an immediate and strong impact on prices but will prompt a surge in sales.

Having seen predictions of an upturn constantly revised over the past two years, Malaysia for one is deeply sceptical about assurances of an upturn by the end of 1982. Tungku Razaleigh expects no upturn at least until the end of 1983 and is planning accordingly.

The lessons of the current recession are likely to lead Malaysia into a new and third phase in its post-colonial economic development.

In the early years after independence priority was given to import substitution. But this aim was soon modified, mainly because the smallness of the local market and the comparative poverty of the population made economies of scale impossible.

In the second phase emphasis has been put on export promotion. For a country like Malaysia this has brought tremendous rewards. But the recession now gripping the West has underlined to the Government in Kuala Lumpur that this preoccupation with exports has made the country over-dependent on the fortunes—and the economic whims—of governments over which it has no control.

In addition, declining confidence in international commodity agreements, which are seen as being manipulated in the interests of consumer countries, has convinced many that it is dangerous to rely in future on raw commodity exports.

So Malaysia will in future be re-examining the value of import substitution. Its domestic market may be small but if taken as part of the ASEAN region then it may be viable. Malaysians are also much wealthier and have stronger material ambitions.

There is likely to be a strong drive to broaden the country's manufacturing base. Industries based on its oil and gas resources are already being set up. Agro-processing industries, particularly in timber and rubber, will be built up despite resistance from countries in the industrial West.

Then there are pressures to achieve targets set by the new economic policy. This policy, laid down in 1970, is now well past the half-way mark and there is some concern that the aim of transferring 30 per cent of the country's corporate wealth to the indigenous population by 1990 may not be met without a fresh impetus.

For this reason the Government last year set about buying out major foreign plantation interests in the country. The short-term cost was very high — perhaps M$3bn — but the Government is confident that longterm benefits will come from bringing these companies under domestic control. Unhappily, this heavy purchasing programme coincided with the present export slump and has at least in the short-term added to the country's balance of payments problems.

All of these changes call for maximum effort from the country's still largely unskilled workforce. They explain why Dr Mahathir Mohamad, the Prime Minister, has called for the people to "Look East"—to Japan and South Korea.

Since Japan is by far the country's biggest trade partner and its second largest investor (after Singapore), this policy might simply be seen as the Government realising on which side its bread is buttered. But at the same time much can be gained from instilling the Japanese work ethic in Malaysia's rather happy-go-lucky workforce and by adopting Japan's extremely successful work methods.

Recession has slowed growth in Malaysia and is certain to cause short-term problems. But in the longer term the country has the ingredients for strong growth. Unlike most countries in the developing world it has all the resources it needs to generate its own development. With natural gas about to come on stream next year the industrialisation process is perhaps just about to begin.

D. D.

Politics

Sweeping victory at the polls last April has given Dr. Mahathir Mohamad and his administration a powerful platform to initiate new policies. This page reviews the political scene and profiles some leading members of the new government team

Strong backing from electorate

THE NEW administration of Dr Mahathir Mohamad went to the polls in April this year to win a mandate from the country's 14m people — and came away with the most resounding success ever scored in Malaysia's 25-year history.

The Government's national coalition, dominated by the United Malays National Organisation (UMNO), won 144 of the federal assembly's 154 seats—12 of them uncontested. It won backing from over 60 per cent of the voters.

The victory had never been in doubt but the size of the coalition's majority was seen as emphatic support for Dr Mahathir's call for "clean, efficient and trustworthy" government.

Gains made by the coalition's Chinese party, the Malaysian Chinese Association (MCA) were also seen as providing endorsement for the party's appeal to represent the country's Chinese community, which makes up 38 per cent of the population.

Despite talk both before and after the election of Dr Mahathir's Government ringing in numerous changes (the phrase has caught on because of close collaboration between the Prime Minister and his deputy, Datuk Musa Hitam) the new government has so far brought more a change of style than of substance.

Politics in Malaysia remain in essence communal politics. The dynamic for political activity is the delicate balance between the country's racial groups. Political parties are still after 25 years communal parties rather than class parties.

At the same time, while elections provide an interesting focus on the country's political personality, they are not watershed occasions as they are in other democratic countries. As one leading academic studying Malaysian politics recently explained: "Real political struggle in Malaysia takes place in parties between elections rather than between parties in elections."

Between elections the component parties of the coalition normally undergo fierce power struggles as factions vie for control of the party machine and positions of party leadership.

This is particularly the case inside UMNO, the country's dominant party and the leading coalition partner. Leadership of UMNO carries with it national prime ministership and control of the Government's extensive machinery of patronage.

For all that, elections perform a valuable function in Malaysian politics, mainly allowing the Prime Minister to reshuffle his party and his government. This April's election was no exception. Dr Mahathir's reallocation of seats among coalition parties (coalition rules forbid contests between member parties) and between individuals and factions within parties was extensive.

Inside UMNO, for example, only 38 of the party's 69 federal members were renominated. At the state government level 106 of the 198 sitting members were replaced.

For Dr Mahathir this reshuffle was more than usually important. It allowed him in the wake of the election to bring in phalanxes of "new style" leaders, university-educated technocrats untainted by the corruption implicit in local patronage machines and above all loyal to him and the federal government.

State governments, which have considerable autonomous powers and have in the past been a thorn in the side of federal governments, are likely to be much more compliant to Dr Mahathir's needs than those in place before the April elections.

Two exceptions are likely to be the governments in Malaysia's eastern states of Sabah and Sarawak. *Separated from* the peninsula by 1,000 miles of the South China Sea, leaders there have always tended to plough their own furrows.

In Sabah fierce rivalry between the ruling Berjaya party and the United Sabah National Organisation (USNO) overrode *the co-operation that should be* implicit between two parties that are both members of the national coalition.

When Dr Mahathir allowed USNO to contest five federal seats in the state, Datuk Harris Saleh, the Berjaya leader, flouted coalition rules by asking five of his members to "resign" and stand against the USNO candidates as "independents." Berjaya and its independents swept the board, giving a direct snub to Dr Mahathir. This may not, in due course, go unpunished.

In Sarawak the main shock was the unexpected victory for two candidates from the opposition Democratic Action Party (DAP). The *surprise* reversal was seen as a sympathy vote, since the poll in Sarawak took place several days after DAP defeats on the peninsula had been announced. But it was also a warning that the large Chinese community there is becoming restive about the effects of federal policies discriminating in favour of ethnic Malays.

"For Malaysia's opposition parties the election *must* have been a rather frustrating experience. The election campaign was limited to 15 days, with a total ban on outdoor rallies — both factors greatly to the advantage of the ruling parties.

Opposition resources were tiny by comparison with those of coalition candidates, who not only tended to get the backing of big business but also often found the Government machine at their disposal.

Even where opposition support is strong — particularly in *the Chinese-dominated urban* areas—constituency boundaries are drawn in a way that greatly hinders chances of opposition success. For example, the densely Chinese-populated constituency of Petaling Jaya in Selangor has an electoral roll of almost 115,000. The *peninsula's smallest constituency*—inevitably it is in a rural Malay community—has just over 24,000 votes.

Given this weighting in favour of the Government the consistent support for opposition parties is surprising. Even in the latest polls, where the result would imply a strong swing to the Government coalition if measured in terms of seats won, opposition support stayed remarkably solid.

The Chinese-backed DAP lost 10 of the 15 Federal seats it had won in the 1978 election but its voter support fell by a bare 1 per cent to 20.3 per cent.

Similarly, the opposition Parti Islam, which as its name would imply wins backing from the more conservative Malay voters concentrated in the four states of Kelantan, Trengganu, Kedah and Perlis, managed to *win just five Federal seats.* Its support nationwide is just 14.5 per cent but it won almost 47 per cent of the vote in Kelantan and over 41 per cent *in Trengganu.* Even in Kedah, the home state of the Prime Minister, it won the support of over 32 per cent of the electorate.

While Dr Mahathir can draw comfort from the parliamentary majority he has won it must be a matter of concern that such a large percentage of the population remains impervious to the appeal of coalition parties despite the weight of the propaganda machine mobilised during elections and despite the amount of patronage which support for the coalition can ensure.

David Dodwell

PROFILE: DR MAHATHIR MOHAMAD

Leader with strong ideas

SOME PAPERS have enthusiastically called it the "Mahathir transformation." Certainly Dr Mahathir's past year in office as Malaysia's fourth Prime Minister has brought about a change in style and direction and *heightened* the expectations of the population.

He has shaken *many* an establishment. Civil servants may still grumble but they, nevertheless, have to clock in for work, wear name tags across their chests and declare their assets.

The generals have been told, and have accepted gracefully, that they have to do with less men and less expensive weapons systems under the present difficult period.

In the political and corporate spheres Dr Mahathir and his deputy, Datuk Musa, have planted their men at strategic positions. They have succeeded in chipping away the once paramount influence of Tengku Razaleigh, the Finance Minister, in the economy.

The charismatic Datuk Harun, regarded as the third most powerful politican, is held in check. The Prime Minister is giving him no cause to rebel and Harun stays on the political sidelines, shackled by the constraints imposed by his jail term.

Dr Mahathir promises to instil "the fear of God" among the corrupt and there are visible signs of unease among those who have amassed ill-gotten wealth.

But for all that the Mahathir regime remains fragile, uninstitutionalised. His major policies have not been severely tested as to their worth and durability.

His "Look East" policy has generally been met by confused perplexity among planners, not to mention chagrin among Malay intellectuals.

Dr Mahathir wants his rule to provide the launching pad for Malaysia to leap into the front ranks of the nations. Only time *will tell whether* Malaysians can live up to his expectations of them.

Wong Sulong

PROFILE: ANWAR IBRAHIM

Guiding hand for Islam's role

PRIME MINISTER Dr Mahathir Mohamad pulled off a notable pre-election coup earlier this year when he persuaded the charismatic Moslem intellectual, 35-year-old Anwar Ibrahim, to join the United Malays National Organisation (UMNO), the principal Malay *element* in the ruling National Front coalition. Anwar headed the highly respected Moslem youth movement, Abim, and brought with him a solid wedge of reputable Islamic support which might otherwise have gone to the fundamentalist Moslem Party, Parti Islam (PI).

Anwar first came to prominence following the May 13 riots in 1969 which threatened to split Malaysia along racial lines. He was a sufficiently popular student leader at the University of Malaya to attract the attention of the security authorities; he was detained under the Internal Security Act for consistently acting "in a manner prejudicial to the security of Malaysia . . . with the ultimate aim of overthrowing the legally constituted government of Malaysia by unconstitutional and revolutionary means."

Back in political favour, together with Dr Mahathir who similarly suffered a political eclipse in the early 1970s, Anwar Ibrahim is now a deputy minister in the Prime Minister's office with special responsibility for the introduction of Islamic concepts into the country's highly pluralistic society—a task *fraught with political* dangers. UMNO has to tread a delicate path in order to represent Malay interests, while containing the appeal of religious fundamentalism, temporarily rejected by voters but fuelled by Islamic nationalism abroad.

While suffering a decline—Anwar soundly beat his PI opponent in the election—the more theocentric party won enough seats in the eastern states to maintain a credible presence there. The Islamic missionary groups, moreover, continue to make headway, particularly among young well-educated Malays.

Kathryn Davies

PROFILE: ISMAIL ALI

Investment head

MOST central bank governors, after 20 years in the post, would be glad to retire with honours for a well-earned rest. But not Ismail Ali.

He did get his honours—a tunship (corresponding to a peerage).

But after putting in his own proteges at the Malaysian Central Bank in 1980 he went on to head the Government's investment agency, Permodalan Nasional. *Today* the 63-year-old Cambridge-educated Tun Ismail is undisputably Malaysia's most influential corporate figure.

As the Permodalan chief he has the job of ensuring the success of the new economic policy—a 20-year blueprint for the nation's stability through the acquisition of at least 30 per cent of the nation's corporate wealth by the Malays and other indigenous peoples (the Bumiputras).

In 1970 the Bumiputras held less than 3 per cent of this corporate wealth. They now control around 15 per cent.

To do his job Tun Ismail, who is Dr Mahathir's brother-in-law, has virtually a blank cheque from the Government to buy, take over or invest in Malaysian companies.

Permodalan now has stakes in nearly 100 companies and its assets are worth over Ringgit 3bn. The agency controls such giants as Bank Bumiputra, Malayan Banking, Sime Darby, Guthrie and Malaysia Mining Corporation. Major recent deals include the purchase of 51 per cent of Harrisons Malaysian estates and the takeover of some strategic companies of the Selangor State Government.

As at the central bank Tun Ismail keeps his Permodalan team compact. As far as possible, he says, Permodalan will not interfere in the running of individual companies. "If they are making money and complying with the new economic policy we should leave them alone."

W. S.

PROFILE: ERIC CHIA

Top industrialist

ERIC CHIA is perhaps the best illustration of what Dr Mahathir means by "looking East."

"There is nothing mysterious about the Japanese management and work style," says Eric Chia, a burly six-footer. "The Japanese work hard and are more human in their approach. With certain modifications we can do it here."

At United Motor Works, where he is chief executive, this Japanese style is being put into action. Decisions are reached by consensus, first among the five executive directors, then later with the operational directors, before the department heads and supervisors are finally brought in. This tends to slow down decision-making but the message gets across effectively.

UMW spends a lot of money and time on forging closer links among its 8,000 employees. Free Malay and Japanese classes as well as lessons in cooking and flower arrangement are provided and employees sing a company song like their fellows in Japan.

UMW was begun as a bicycle and car spare parts shop in Singapore by Eric's father 50 years ago but it was Eric Chia, operating from Malaysia, that built UMW into a billion-ringgit business today.

UMW, which is involved in distribution of heavy equipment and in engineering and manufacturing, pulled off a corporate coup last year by wresting the Toyota car franchise in Malaysia from Inchcape.

Eric Chia, 49, freely admits his debt to the Japanese and Malaysia. The Japanese helped him by giving him agency lines on liberal credit while Malaysia provided him with a home.

Today, of the Ringgit 154m in paid-up capital of UMW, the Malays hold 33 per cent, the Chia family 28 per cent and the Malaysian and Singaporean public the rest.

Besides UMW, Eric Chia sits on the board of several major companies, including the Heavy Industries Corporation of Malaysia, and is a member of Dr Mahathir's panel of economic advisers.

W. S.

PROFILE: AZMAN HASHIM

Corporate banker

"AFTER MORE than 20 years as a banker it is very exciting to own a bank," says 43-year-old Azman Hashim, who paid Ringgit 56m last April for 55 per cent of Arab Malaysian Development Bank. He has subsequently enticed Malek Merican, director of corporate planning at Sime Darby, to be his managing director.

The two will make a formidable team. They represent the emerging breed of young bumiputras (Malays) with solid professional backgrounds who are reshaping the Malaysian corporate scene.

Azman joined the Malaysian Central Bank in 1960 after returning with an accountancy degree from Australia. He left four years later to start his own practice and joined Malayan Banking's board in 1966. *He was its* executive director until last year. Cambridge-educated Malek was deputy secretary general at the Treasury before he joined the private sector.

"Arab-Malaysia is Malaysia's biggest merchant bank but we want to make it the best as well," says Azman. He sees many opportunities for merchant banking since Malaysia is growing rapidly and the financial market is beginning to mature.

His aim is to develop a well-rounded banking and financial group with interests not only in merchant banking but *commercial banking,* finance companies and insurance as well.

Azman also has a 40 per cent stake in the publicly listed Taiping Textiles. With a bank and a publicly listed commercial enterprise, he is well placed to build a *corporate empire.*

A start has already been made, with Taiping Textiles moving decisively into properties by the recent acquisition of five property companies.

Besides managing his own fledgling business empire Azman sits on the board of Malaysian Airline System and Malaysia Mining Corporation.

W. S.

Foreign Policy

The concept of South-East Asia as a "zone of peace, freedom and neutrality" is the guiding principle of foreign affairs. At the same time changes are occurring which particularly affect trading partners new and old—notably Britain, Japan and Singapore

Some shifts but commitment to Asean group stays firm

MALAYSIA'S foreign policy has had a thorough shake-down over a year of Dr Mahathir's government. New initiatives have been taken aimed at resolving the conflict in Indochina, a chill has fallen over official relations with Britain and in attitudes towards the role of the Commonwealth. A militancy has arisen over international commodity agreements and a "Look East" policy has been earnestly espoused.

Yet for all the appearance of sudden breaks with past policies Malaysia's over-riding and distinctive foreign policy priority remains unchanged. It was first articulated by Tun Razak in 1971, who called in vain on ASEAN to make a "declaration of neutralisation of South-East Asia."

More recently Malaysian governments have called for South-East Asia to be made a "zone of peace, freedom and neutrality," with Super-Power influence kept to a minimum.

The concept has never formally been adopted but the spirit of Malaysia's call has been shared by its regional partners and substantial progress has been made.

While genuine concern remains over the struggle for power in Kampuchea, a level of calm and stability has been achieved in the region that would have seemed inconceivable in the 1960s.

At that time the Vietnam war shook the region. The fear of Communist infiltration and insurrection, encouraged by an extreme and xenophobic regime in Peking, was acute.

From the south President Sukarno of Indonesia threatened neighbours with "confrontation." The Philippines were making territorial claims on parts of the embryonic Federation of Malaysia. Even closer to home Lee Kuan Yew in Singapore was following a political path which made break-up with the tiny island state inevitable.

The Association of South-East Asian Nations (ASEAN), first mooted in 1967 by Indonesia in the wake of President Sukarno's overthrow, has played a primary role over the past 15 years in pouring oil on the region's troubled waters. As it has grown in maturity it has also been instrumental in keeping Super-Power contention to a minimum.

Malaysia's main foreign policy concern today is Indochina—or more specifically the presence in Kampuchea of the Vietnamese-installed Heng Samrin government and Vietnam's 180,000-strong occupation force in the country.

For three years the ASEAN member states have led the diplomatic efforts to end the conflict in Kampuchea. At first this joint effort played an important part in strengthening ASEAN and encouraging close co-operation between them.

But as time has passed and international interest in the issue has faded so differences in perception have emerged among ASEAN members, with each having a distinctive perspective on the nature of the Vietnamese threat to the region, the longer term threat from China and the best tactics for achieving a settlement.

Committed to a war of attrition against Vietnam, ASEAN has found its own unified stand crumbling faster than the Vietnamese, attrition or no attrition.

Aware of this trend and aware that support is eroding for its position inside the UN General Assembly — where it continues, albeit embarrassedly, to endorse the membership of the genocidal Khmer Rouge regime — ASEAN has worked stolidly to set up a Khmer coalition government in exile.

That effort at last bore fruit this summer when the Khmer Rouge joined with Prince Norodom Sihanouk and former Khmer Prime Minister Son Sann in Kuala Lumpur to establish a tripartite coalition.

Few people are willing to argue that the coalition will survive for long — it is a marriage of dubious convenience—but it allows ASEAN to go to the General Assembly this autumn and ask members to back the coalition against Heng Samrin instead of again asking support for the Khmer Rouge regime.

In the wake of a major tour of the region by Nguyen Co Thach, Vietnam's Foreign Minister, no one would dare claim that progress on substantive issues has been made. Life in Kampuchea under the Heng Samrin regime seems steadily to be returning to normal. Prospects of Vietnamese troop withdrawal remain dim without a significant softening of China's attitude towards Vietnam.

If there is any softening it is on the part of ASEAN members, where doves like Malaysia and Indonesia are adamant that doors to Hanoi must be kept open. Even the hawkish Singapore Government is quietly discussing the likelihood of Heng Samrin being persuaded to join the recently established tripartite coalition — perhaps at the expense of the Khmer Rouge.

The conviction inside Malaysia remains strong that a stable Vietnam will in future be an important buffer against China; others inside ASEAN share that view.

But while Malaysia's hope for peace, freedom and neutrality in the region comes closer to fulfilment than at any time in the past 21 years a new shadow has appeared over the horizon.

Western governments, particularly that of the U.S., seem to have forgotten that the often-lauded stability of the strategically important South-East Asian region is premised on rapid economic growth. The loss of growth momentum, if not soon corrected, will introduce new and dangerous elements of instability among people who have in the past few years become used to 10 per cent annual growth and have acquired a taste for the luxuries of life.

David Dodwell

Britain gets the shock treatment

DR MAHATHIR MOHAMAD, Malaysia's Prime Minister, is a firm believer in the political and economic value of shock treatment. No community in Malaysia at the moment will be more acutely aware of that fact than the British.

Piqued by what was often felt to be smugness and complacency by British businessmen who had rested for too long on the remnant laurels of colonial power and affronted by snubs which made it all too clear that British Ministers had scant regard for what Malaysians still saw as a "special relationship" with the motherland, Dr Mahathir last October issued a directive that sent shockwaves through the British expatriate community — and through Whitehall.

Insisting that all Government contracts involving British tenders must come directly to him, Dr Mahathir imposed what amounted to a boycott of British goods. Given a choice between competitive tenders the Government would in future reject the British tender.

The policy remains intact to this day, with attempts to calculate Britain's export losses ranging between £30m and hundreds of millions.

> **UK Trade Directive: "Everything else being equal, or even slightly unequal, we would buy non-British. If the difference in price is, say, 5 per cent we would still buy non-British." Dr Mahathir Mohamad.**

Neither Whitehall nor British business interests yet know quite what has hit them; nor do they know how best to respond.

Dr Mahathir's shock treatment against Britain came as a bolt from the blue for at least two reasons. First, it was always felt that Britain had made a great success of weaning Malaysia to full independence without violence or anti-colonial upheaval. Britons back in London may not have been aware of the "special relationship" expressed by Malaysians but those in Kuala Lumpur or elsewhere in Malaysia basked in it daily.

Secondly, Britain's pre-eminent position as Malaysia's main trading partner had long since been eclipsed by Japan. It has always been thought that it was the Japanese who were resented in the region as a predatory "economic animal."

What the British failed to note adequately was Dr Mahathir's personal bias against Britain and his desire to demonstrate vividly his unwillingness to remain for ever the economic victim of a patron-client trading relationship in which Malaysia supplied raw materials for the manufacturing industries of the West.

They failed to realise what a convenient scapegoat they were as Dr Mahathir strove to instil a stronger sense of national dignity and—through his "Look East" policy—to inject more vitality into the work ethics of Malaysia's easy-going people.

Many of Dr Mahathir's grievances were genuine. By raising UK university fees Mrs Thatcher's Government had created real difficulties for a country with over 15,000 students currently in Britain.

Anger in the British business community over Malaysia's "predations" on companies quoted on the London Stock Exchange with substantial plantation interests on the peninsula was rightly seen as hypocritical and unjust.

The uproar in London endorsed Dr Mahathir's view, expressed in his book "The Malay Dilemma" over a decade ago: "Europeans came out east not to conquer but to trade. In the quest for trade, however, they were prepared to do anything. They made treaties and they broke them. They were in fact completely unscrupulous."

But as the quotation makes clear Dr Mahathir said the predatory attitude was as common to Europeans, not exclusively to Britain. This adds to the perplexity among Britons that they should be so singled out.

It has nevertheless become clear that Dr Mahathir's directive was not a nine-day wonder. Malaysia wants not British salesmen knocking at its door but British investors. Investment in plantations and other areas of colonial interest is not enough. Improvement in relations will only come over time and after painstaking effort.

D. D.

Relations with Singapore in happier vein

RELATIONS between Malaysia and Singapore have undergone a transformation over the past 10 years. Prime Minister Dr Mahathir Mohamad recently said: "Singapore's success story in the economic and social fields cannot but be a model for Malaysians rather than an object for envy. What we do within our own country is therefore contributory and complementary towards each other's progress."

This was a marked shift from Dr Mahathir's view of Singapore in 1970, which he articulated in his famous polemic, The Malay Dilemma: "In the Malay archipelago Singapore stands out like a sore thumb. Singapore's progress and prosperity must depend on, indeed must be at the expense of, her neighbours . . . the only reason why the relationship between Malaysia and Singapore is not more strained than it is now is because the Chinese in Malaysia wish to maintain good relations with Singapore."

Mahathir was not alone among Malaysian politicians to have his suspicions of what one Singaporean ruefully says they referred to as "this upstart of a young state." Relations between the two governments were unhappy from the creation of the Federation of Malaysia in September 1963; the Malays were only just in the overall majority in the new entity and feared that Lee Kuan Yew's tiny Chinese City State would end up calling the political tune, whereas the unofficial arrangement, in the eyes of Kuala Lumpur, was for the Chinese to run the economy and the Malays the politics.

In a welter of mutual recriminations the two countries went their separate ways in August 1965. Mahathir subsequently spelled out in his book some of the areas of conflict between the two neighbours: Malaysia's over-dependence on Singapore as a trading partner; discrimination against the employment of Malaysian nationals in Singapore and the close economic ties between Chinese families on both sides of the causeway which seemingly threatened to undermine Malaysia's economic strategy.

Not all causes of friction have been overcome but there has been a profound change in the public attitudes of both governments towards each other and Singapore's Lee Kuan Yew went out of his way to congratulate Dr Mahathir when he became Prime Minister.

Economic success has bred greater mutual respect. Malaysia's own evolving economic maturity and the diversification of the Singapore economy have left the two countries less wary of each other. Interdependence, however necessary but once bitterly resented in Kuala Lumpur, is now seen to have advantages.

Malaysia has improved its infrastructure, including vital arterial highways and ports, in an effort to trade directly with the rest of the world and not exclusively through Singapore. The City State, for its part, no longer considers that the Malaysians "are taking away our rice bowl" as a Singaporean diplomat put it.

On the political front, strains over Brunei, the tiny oil-rich sultanate sandwiched between the eastern Malaysian states of Sabah and Sarawak, due to become fully independent from Britain in 1983, have also been soothed. Malaysia has dropped all territorial claims to Brunei and is actively fostering its independent membership of Asean, thus allaying Singaporean fears that the balance of regional power might be drastically upset.

To ensure that bilateral relations remain at this relatively cordial level an inter-governmental committee, agreed during former Prime Minister Hussein Onn's visit to Singapore two years ago, meets every six months at foreign ministerial level—"to act as a fireman," says one civil servant. Problems which might otherwise escalate into major confrontations can be dealt with early enough to nip them in the bud.

Dr Mahathir has taken this initiative one stage further. His civil servants have been told to co-operate with their Singaporean counterparts, ignoring any residual racial antagonisms which might be felt between a predominantly Malay bureaucracy and its Singaporean Chinese equivalent.

Kathryn Davies

Focus on Japan as exemplar

A PARTY of young Malaysians —135 in all—are shortly to pioneer an experiment which could have far reaching consequences both for their country and for its new-found model, Japan. They are the first of several groups of industrial trainees to be sent to big Japanese corporations for on-site familiarisation with the work ethics which have contributed to Japan's post-war economic success. In the next two years about 900 Malaysians will undergo similar training with world-famous names such as Matsushita, Nippon Steel, Hitachi, Sanyo and Toyota.

It is the first time that Japan has ever co-operated on such a programme involving so many young foreign workers, although the numbers involved are small compared with the 30,000 Malaysian students attending courses in Britain, Australia and the U.S. None the less, the successful implantation of the Japanese psyche into Malaysian workers is regarded as essential if the currently rosy relations between the two countries generated by Prime Minister Dr Mahathir Mohamad's call for his countrymen to "Look East," are to prove durable.

The Look East policy also includes South Korea, with which the Malaysians recently signed a double taxation agreement to facilitate the flow of capital and technical expertise and increase Korean investment and bi-lateral trade. Malaysia imported $325m worth of goods from South Korea last year while exporting $346m.

Japan is Malaysia's biggest trading partner and recently took over from Singapore as its top investor, with projects approved by the Malaysian Industrial Development Authority in 1981 amounting to M$69.1m. Australia and the U.S. with M$57.9m and M$47m respectively rank second and third.

Exports to Japan dropped from M$954m in the first four months of 1981 to M$733.5m in the corresponding period this year. The Malaysians bought more from Japan, M$1.71bn of manufactured products, heavy machinery and transport equipment. However, the trade gap is likely to swing in Malaysia's favour when the Japanese start importing natural gas from Bintulu.

Since 1966 Japan has provided Malaysia with Y195bn of concessional loans to finance major industrial projects, including hydro-electric power plants, construction of port facilities in Johore Bahru and Bintulu and the Connaught Bridge gas turbine power station.

Japan's heightened profile in the region is partly in response to U.S. pressure to fill the vacuum left by the Americans following the Vietnam debacle but is also a response to Japan's desperate need for natural resources.

Malaysia is Japan's largest supplier of natural rubber (latex), palm oil, tin and tin alloys. When the Bintulu natural gas project comes on stream Japan will import virtually the entire output—an estimated 6m tonnes, worth $1.8bn a year. Since 1977 Japan has been providing aid through its Official Development Assistance programmes (ODA)—Y1.150bn for a variety of educational projects.

But while Japan is closely involved in the Malaysian economy, the Japanese have consistently taken a low political profile, no doubt mindful of the anti-Japanese demonstrations in early 1974 directed at what was perceived to be Japan's "economic imperialism" in South-East Asia.

However, it is Japan's phenomenal economic growth in the intervening period which has attracted Prime Minister Mahathir Mohamad, whose election campaign on clean, efficient and trustworthy administration was endorsed by voters in May. While some would argue that an example of good work ethics could be found closer to home—among the country's own ethnic Chinese population and in neighbouring Singapore—it is to Japan that Dr Mahathir is turning for advice and example. He told a Malaysian-Japanese joint meeting earlier this year: "We have for a long time been looking West, as did Japan in the early days of her development. But the West is no longer a suitable model. They have lost their drive . . . Japan may be classified as developed but it is still developing vigorously. As such it is a much better example for developing Malaysia."

The formation of three Malaysian-style sogoshoshas—giant general trading companies—was an early response to the new Look East policy, which also seeks to avoid excessive dependence on Western markets at a time of world recession. But there are serious doubts in both Malaysian and Japanese business circles about whether the Japanese work ethic will "take" in a very different multi-racial society, with none of Japan's traditions or cultural homogeneity.

The Japanese themselves seem slightly bemused at having the spotlight so abruptly shone on them, perhaps because one result of Dr Mahathir's professed admiration of the Japanese economic miracle will certainly be to step up pressure on Tokyo to transfer technology and knowhow to Malaysia if it wants economic relations to remain cordial.

K. D.

THE ROLE OF ISLAM. Kathryn Davies interviews Anwar Ibrahim, the deputy Minister with special responsibility for the introduction of Islamic concepts into Malaysia's pluralistic society

What is the role of Islam in modern Malaysian political life?

I think Islam has always been a force to be reckoned with by the ruling parties and by opposition parties—even non-Moslem parties. The Malay identity and Islam are somewhat indivisible. But of course the awareness, the consciousness and the relevance of Islam in terms of our economic and social life are felt more now. More and more of our intellectuals, even those that are trained in the West, are calling for meaningful Islamic reforms.

To what extent has Parti Islam been responsible for pushing the ruling coalition into moving in an Islamic direction?

I think very minimally. I was one of those who was critical of Parti Islam's participation in the coalition (1974-78) precisely because they lacked articulation to put their ideas across to both Moslem and non-Moslem. To be objective, the impact of Islam comes mainly from groups outside the political arena: student and youth groups, general *dakwa* (or Islamic propagation bodies). Compared with many other countries, the Government has been somewhat tolerant not only with Islamic movements or pressures but generally towards opposition action groups.

Why did you decide to join Dr Mahathir's administration?

Firstly, I was never keen to work with any of the opposition parties. . . at the same time we (Abim) have established good rapport with government leaders, particularly Dr Mahathir, even when we strongly disagreed with many of his actions. With the new administration I saw the readiness of the Government to undertake meaningful reforms and programmes, to discipline society strongly against corruption, to be more committed to the eradication of poverty. I don't want to sound arrogant, because it's really a practical view that I can contribute in a small way to ensure that this process will be meaningful and effective.

How will the Islamisation process affect minority races?

It depends on how you perceive the religion in the first place and then how we implement many of these policies. What is unfortunate is that in many Moslem societies the perception is very doctrinaire and dogmatic. What we mean when we talk about a general programme of Islamisation in this country involves institutions like the Islamic Bank. The Islamic Bank is just a modern banking system, without levying interest or usury on people: I think it is, therefore, free from being exploitative. But in terms of participation and management, non-Moslems are free to take part.

We do not want to be portrayed as a bunch of fanatics somewhere on the lunatic fringe. I do not deny that there are some excesses even within the Islamic propagation movement but I don't think they can be put forward as representing the general thinking and trend in the country. The Government is committed to having some Islamic programmes but we are also committed to ensure it is a rational view, that it is justly done with a measure of tolerance and to accommodate the wishes and ambitions of the non-Moslem people here.

What are Malaysia's long-term plans for Islamisation?

In a system like ours it is competitive co-existence. People are free to choose. Many Moslems now, for example, have a problem because they feel that they cannot participate in the present modern banking system. But they cannot be deprived just because they disagree with the interest that is levied.

Similarly, we are talking about a moral code in our society. This is not something that is difficult for the non-Moslem to comprehend. Moral code means to be concerned with the welfare of the poor, to be against any form of exploitation, to be active in combating racism, corruption.

Of course I would see it from the Islamic perspective, while the Christian would say he wants to look at it from the Christian perspective: I'd have no qualms about that, as long as we try to put a better standard that's generally acceptable to the community. I think it's more significant to ensure that this Islamic movement transcends the Malay and the Moslem mood to become the general Malaysian mood.

These values would be generally acceptable to the DAP?

I've been maintaining meetings with DAP leaders even after joining the government. They would say that there are still excesses, that in particular areas the government is not firm enough. I would say sometimes I agree with you but it will take a year or two: not to be patient, not to condone, but we are taking steps.

The Chinese

Malaysia's substantial Chinese minority—ranging from the well-to-do businessman to the rural smallholder—are looking to the new political coalition to give a more sympathetic ear to their demands as a community. KATHRYN DAVIES reports below, with profiles of a representative trio.

Search to integrate aims within a multiracial society

THE POLITICAL choice for Malaysia's substantial Chinese minority in the years since the race riots of May 1969 has been either to work within a Malay-dominated government coalition, seeking modifications to or compromises with the New Economic Policy, or to confront the Malay majority by fighting for specifically Chinese economic and social rights. They had to make their choice in the context of political parties organised on racial lines, with the Chinese vote split largely between the Malaysian Chinese Association (MCA) and the Democratic Action Party (DAP).

For the moment a substantial part of the Chinese community seems to have decided that the conservative business-orientated MCA is more effective, an impression that was reflected in the ruling coalition's sweeping victory in May. The opposition DAP suffered severe setbacks at both national and state levels, with its representation cut from 16 to 9 parliamentary seats and those at state level from 25 to 16 seats. The MCA increased its parliamentary strength from 17 to 24 seats (out of the 28 it contested).

The campaign style of the 2-Ms (Mahathir and Musa) undoubtedly had its appeal to a Chinese population whose own work ethic coincided neatly with "a clean, efficient and trustworthy" government. The fact that Dr Mahathir's exhortations to Malaysians to work harder and more productively, together with the "Look East" policy, were seen to be directed mainly at the Malay majority, also went down well with other races.

As the MCA argued to some effect, under the Malaysian political system the benefits of development tend to go to constituencies which return pro-government candidates; "The DAP can shout till the cows come home" notes one political scientist. But the swing away from confrontation politics may not survive the next election unless the MCA can prove its point.

During the election campaign Dr Mahathir sought to woo MCA voters by promising to pay special attention to the views of party leader Datuk Lee San Choon in cabinet. But the more radical members of UMNO, and particularly its youth wing, are ever-vigilant for signs of any backsliding in the implementation of policies designed to give the Malays a bigger share of the country's economic cake. Even if he wanted to accommodate the needs of the Chinese, Dr Mahathir's room for manoeuvre is limited—and so is that of the MCA.

Successful Chinese businessmen such as MUI's Khoo Kay Peng, Tan Koon Suan of Multipurpose and Supreme, Lim Goh Tong of Genting Highlands and Chua Boon Unn of Cycle and Carriage have undoubtedly found it possible to live prosperously in the new political climate and are happy to give their public endorsement to Dr Mahathir's government. But anxieties remain, particularly for those outside the Chinese business elite to whom the MCA must appeal for broad-based support.

About 700,000 Malaysian Chinese have outstanding applications for citizenship which are repeatedly deferred for reasons which seem obscure. Chinese complain that they have difficulty in acquiring passports for overseas travel. Politicians of all Chinese political parties point to boundary changes which have made many constituencies "lop-sided"—heavily dominated by Malays.

The most sensitive issue throughout the Chinese community remains education and with the effective demise of the idea of a new Chinese university the focus is on the official policy of deliberate discrimination in favour of Malay university entrants. Chinese parents who can afford it send their children abroad, while among those who cannot, resentment is growing. Virtual debarring from entry into the civil service is another concern for middle-class Chinese with professional qualifications. MCA Senator Tan Koon Suan noted recently: "Today the Malaysian Chinese are still in the process of identifying their dilemma and a magical formula to the solution of their problems is still far away."

THE SHOPKEEPER: LOH WAH ON

Typical of the many small family businesses

MOST CHINESE share the same values: hard work, thrift and reverence for education. But the conventional stereotype of the wealthy Chinese, an inspiration in his own community and an irritant to many outside, applies only to a minority of successful entrepreneurs in Malaysia. More typical is the small businessman with a family or clan-orientated commercial or industrial business. Such people have traditionally regarded the MCA as the party of the powerful and have tended to vote in large numbers for the opposition DAP. But Chinese political allegiances may be changing.

In any case, according to leaders of the Malaysian Chinese business community—mostly closely allied with the MCA—the days of the small man are numbered. The increased economic participation of bumiputras (Malays) backed by the Government, together with a much more sophisticated business environment, are putting the lone entrepreneur under threat.

But this news of their imminent demise does not yet seem to have filtered down to the estimated 125,000 to 300,000 small enterprises (defined as units which employ fewer than fifty people and have fixed assets below M$ 250,000) that still seem an integral part of economic life not just in Malaysia but all over Asia. In one of the most popular shopping complexes in Kuala Lumpur one finds a labyrinth of boutiques, beauty parlours and open-fronted video equipment emporiums, blaring out a deafening cacophony of Western, Chinese and Malay pop music. There sits the small Chinese entrepreneur, often employing other family members and working a 12-hour day

six or possibly even seven days a week.

On the second floor of the complex is Loh Wah On's colour processing laboratory, which doubles as a retail outlet. He has two other shops elsewhere in the capital. "I believe that my business is a family business. I don't think it's ever going to become a conglomerate."

Business is good now, but a few years ago Wah On was close to bankruptcy. The 34-year-old returned from a three-year training and job experience course in West Germany with M$ 5,000 of savings and a determination to start up on his own. (Most small-scale Chinese businesses start with capital of less than M$10,000.) "I got into debt, big debts. Basically it was a matter of cash flow. My family comes from the kampong (village) and I'm without any family [financial backing]."

By this time Wah On was married and his wife, who owns her own boutiques, and her family chipped in to clear his debts. Then he was eligible for a loan of M$ 50,000 from the Credit Guarantee Corporation, set up to help small enterprises. The CGC limits loans to non-bumiputra borrowers to M$ 100,000 at 8.5 per cent interest.

Wah On bought his second floor shop last year for M$ 70,000 and installed a complete set of film processing and printing machinery. He employs two counter sales girls "and my sister is helping out." He solved his cash flow problem by doing work for cash only and not extending credit.

Politically he is a conservative, having little time for those members of his community who campaign for Chinese language education and a Chinese university. He intends to send his two children, aged 4 and 5, to bahasa or national schools. "I personally believe, because I've studied the problem quite deeply, it doesn't matter what language you speak at school, the important thing is what kind of training you get . . . and since this country wants us to study bahasa, we might as well study bahasa."

However, what worries him much more than national issues—about which he is optimistic—is the possibility of competition in the photo-processing business. "I should not be happy if somebody sets up a business of this kind in this complex. It will give me a big problem."

When it is possible Wah On intends to move down to the ground floor to a more prominent location. But although he believes that his six-day, 72-hour week will bring him a good living, he is not listening to those who advise him to think big. "Don't make me out to be a future big industrialist or anything like that," he says.

THE POLITICIAN: DATUK LEE SAN CHOON

Cabinet member and voice for his people

A NEWLY recruited civil servant arriving, as he thought, early at the office was startled to discover Minister of Transport and MCA (Malaysian Chinese Association) President Datuk Lee San Choon already at his desk, having arrived for work before 7 am. That may in part be a nod towards Prime Minister Mahathir's efficiency drive but it is also a measure of the heavy pressure on Lee and his MCA colleagues to produce results following their election successes last May. "They are on trial" says one political commentator. "In fact they may not be entirely happy that they now have to deliver the goods."

The MCA is still seen very much as the political arm of rich Chinese businessmen and Lee himself, a reputedly wealthy man, as the epitome of the links between the two communities. He was one of the architects of Multipurpose Holdings, the MCA "corporate arm" designed to channel Chinese investment into productive areas at a time when the New Economic Policy threatened to throw Chinese businessmen on the defensive. Under the guidance of MCA Senator Tan Koon Suan, Multipurpose bought up a string of malfunctioning companies and made them prosperous and successful. The conglomerate now has a market capitalisation of more than U.S.$300m.

But for Lee the politician the key question in the next five years is whether he can make a permanent impact on the lives of middle class and poor Chinese. The opposition Democratic Action Party, (DAP), with a solid 20 per cent of the popular vote, stands ready to win back voters who in May threw their weight behind the establishment party in the understanding that if they did so economic fruits would be more evenly spread among the races. The DAP stands more openly for non-Malay interests in a multiracial society but was apparently seen by Chinese floating voters as ineffective.

Lee is a political heavyweight with 23 years' experience as a member of parliament. The third of twelve children of a Pahang dentist he completed his secondary education at the English College in Johore Bahru and reads and writes English and Bahasa, as well as no fewer than eight Chinese dialects. He is a controversial figure, both because of his wealth and because he is generally reckoned to have a deceptively shy exterior masking a tough, even ruthless, approach to political enemies and friends alike.

It is a measure of Lee's toughness that he took up the challenge thrown down by the DAP's Lim Kit Siang in May to fight in any one of the 12 parliamentary seats with a Chinese electoral majority. He chose to take on DAP chairman Chen Man Hin, who held the Seremban constituency with an 8,000 majority and who had a considerable personal following. To the chagrin of the opposition Lee won the seat, albeit by a small majority. Lee threw the entire weight of the MCA political machine into the contest, as well as making some headway with the argument that in government the MCA had achieved some results for Chinese interests such as the formation of the Tunku Abdul Rahman College, which increased the places for tertiary education for Chinese students; the Kojadi scholarship scheme and the co-operative movements which "have given people a sense of ownership" say the MCA.

THE VILLAGER: YAP KEE YONG

Happy but short of facilities

YAP KEE YONG, 41, gets up at 3 in the morning to collect the latex from the tiny cups strapped to his rubber trees. This task, the first of his working day, will go on until between 9 am and 11 am, unless it is raining, when he will not be able to work at all. On a good day he should be able to sell the latex he has collected to a licensed rubber dealer for between M$ 10 and M$ 15, although falling world prices are affecting his income. On the days he does not collect the latex either because of the weather or if he is ill, he earns nothing.

Mr Yap is one of 1,200 largely Hakka-speaking Chinese Malaysians in the New Village of Seelong—one of more than 450 such villages throughout Malaysia originally designed by the authorities to isolate potential support for the Communist Party of Malaya (CPM) during the Emergency in the late 1940s and the 1950s.

Seelong is about 25 miles north west of the state capital of Johore Bahru. The villagers were allocated about seven acres of land each on a renewable lease of 21 years. Most of the families in Seelong, like Mr Yap, are rubber tappers. Crops like coffee, palm oil and pepper are also grown.

In the afternoon Mr Yap will plough and cultivate the part of his land not given over to rubber. Although he does not grow enough produce to sell, his vegetables help him and his family of six children towards self-sufficiency in food.

Normally he will work a 10-hour day and a seven-day week. There is little time for leisure and the village has few recreational facilities anyway. There are two grocers, a coffee shop and a community hall. There is no doctor or pharmacy, although a medical team visits the village once a week. When Mr Yap became seriously ill two years ago, he went to Singapore for treatment. "He's a rich man" jokes a friend in the local coffee shop.

Like the other villagers Mr Yap has dug a well on his property which provides his only water supply. Local streams are used by the women to wash clothes. There is no regular power supply in Seelong but two privately owned generators provide the village with electricity between 6 pm and 6 am at a cost of M$ 14 per month per family. Mains electricity, promised before last May's election, has not yet been connected. There is no public transport to the nearest town, Kulai, several miles away, and no secondary school.

Mr Yap joined the opposition Democratic Action Party (DAP) eight years ago and is now the treasurer of his local branch. The village is politically divided and the constituency of which it is part is held by a member of Gerakan, a component part of the ruling National Coalition. All political parties with strong Chinese interests, including the business-orientated MCA, agree that the M$ 30m allocated under the Fourth Malaysia Plan to develop the new villages and improve the lives of their 2m inhabitants is grossly inadequate.

Villagers like Mr Yap face additional problems in acquiring more land both for residential purposes to accommodate expanding populations and for cultivation to provide employment. They say that the Land Office in Kulai is slow to process their applications and usually turns them down. Their legal status as lessees of the land they were originally given is also uncertain, as many leases have not been renewed.

Mr Yap says he does not particularly want to leave Seelong, with its uncomplicated life-style compared to that of the cities. He and his friends in the village merely want to see better facilities provided, particularly housing and transport. The only thing that would make him move, perhaps to the state capital, would be the education of his children who will otherwise have to make the arduous journey along the bumpy road to Kulai or Johore every day.

". . . up at 3 in the morning to collect the latex . . ."

Commodities

The decline in prices has bought financial implications for the entire economy. Hope lies in a revival of the world economy.

Once-buoyant sector falls on hard times

MALAYSIA'S ONCE buoyant commodity sector has fallen on hard times. The prolonged global recession has sharply contracted demand, leading to a severe drop in prices.

Many tin mines are closing down. Many rubber smallholders have stopped tapping their trees because it is no longer worthwhile.

The timber industry has been in the doldrums for several years, while palm oil growers, who have escaped the recession so far, are beginning to feel the pinch.

"There is nothing very much one can do but hope for an early revival in the world economy. That's the only thing that will lift prices," says a Malaysian plantation owner, reflecting the general view among the country's commodity producers.

Since Malaysia is still largely a resource-based country, the decline in commodity prices is being felt throughout the economy.

An indication of the financial implications can be seen by how far projections of the Treasury have gone out of line with the actual situation—and Malaysian Treasury estimates are by nature conservative.

Last October, when the 1982 budget was presented, the Treasury was forecasting that Government revenue in the form of export duties on rubber and tin would be Ringgit 800m and 330m respectively.

This was based on an estimated average price of 295 cents per kilo for rubber and Ringgit 34.7 a kilo for tin, with rubber exports totalling 1.58m tonnes and tin exports 67,000 tonnes. But so far this year the rubber price has been around the 200 cent mark and tin prices are well below the Ringgit 30 level.

If such prices persist throughout the year—and there are no signs to indicate they will move up—the Government will be getting less than Ringgit 800m.

Compared with two years ago the rubber price has fallen a good 41 per cent expressed in a stable Ringgit. For most of Malaysia's half-a-million rubber smallholders, many of whom work on land of less than five acres, it means a return to subsistence living, made tolerable only by Government subsidies and the influx of remittances from their sons and daughters working in the cities.

The situation is even bleaker for the tin mining industry. Because there is a surplus of the metal on the world market estimated at 60,000 tonnes the International Tin Council has imposed tough export control measures. The cutback for the July to September quarter is 36 per cent and similarly severe curbs on exports are expected to run well through next year.

The bigger and more efficient tin dredging companies, often with large cash reserves, should be able to go through this rough period—but not the gravel pump mines.

These gravel mines, largely operated by Chinese, account for 55 per cent of Malaysia's tin output. Last year 153 of them ceased operations because of poor prices and exhaustion of deposits. As many as 200 more may have to close this year, leaving 400 struggling.

As many as 5,000 jobs are expected to be lost in the industry this year.

Malaysia's two smelters are also hit by the shortage of tin for smelting. One of them has laid off 150 workers and is operating only three of its five furnaces.

Mining costs have escalated. It will now cost more than Ringgit 500m to develop the giant Kuala Langat tinfields, more than double the estimates worked out by the Kumpulan Perangsang-Malaysia Mining Corporation consortium three years ago.

For the past decade Malaysia's tin industry has been on the decline. Production fell steadily from a peak of 76,800 tonnes in 1972 to below 60,000 tonnes last year. Employment has fallen from 50,000 to 35,000 over the same period.

Palm oil, the only bright spot in the commodity sector for the past year, has recently succumbed to the twin pressures of oversupply and recession. In the past two months the price has plunged 31 per cent to only 850 Ringgit per tonne.

Datuk Paul Leong, the harassed Minister of Primary Industries, attributes this sharp fall to generally greater availability of edible oil and fats, particularly from the U.S., and the prolonged recession.

The fall in palm oil prices is a double blow to Malaysian plantations. Many were just breaking even on their rubber operations but had managed to report a decent profit in the past on the strength of stable palm oil prices.

The palm oil refining industry is also in bad shape, being squeezed by over-capacity and low demand.

Eighteen of the 48 refineries have ceased operations, leaving 31 in the field. Even so, the 2.9m tonnes of crude produced is insufficient to feed these plants, which have a built-up capacity of 3.6m tonnes.

Unlike rubber and tin, however, whose production is either stagnant or declining, Malaysia's output of palm oil will continue to grow at a rapid pace.

By 1985 the country is expected to turn out 4m tonnes of palm oil; by 1990 the volume is expected to reach 5m tonnes.

So far, the world has taken all of what Malaysia can produce but future output will require more aggressive marketing.

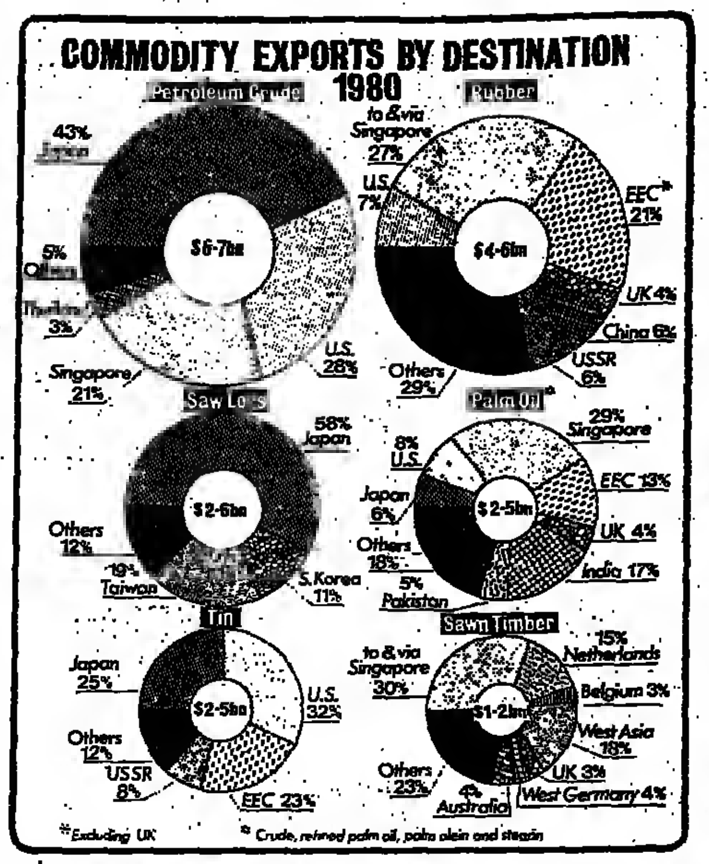
India, the EEC, the U.S. and Japan are the big markets, while China, the Soviet Union and South Korea are fast becoming important buyers.

The healthy volume to Iraq has been reduced to a trickle by the war with Iran but the Middle East as a whole promises to be a major market. It is also encouraging that Egypt has recently become a serious buyer.

Taking the longer view, there is every cause for optimism for Malaysia's commodities, argues Tan Sri B. C. Sekhar, Controller of Rubber Research and chairman of the Palm Oil Research Institute. Although suffering at present, Malaysia's plantations, land schemes and tin mines are still well managed and extremely competitive.

Tan Sri Sekhar has seen the ups and downs in the commodity cycle and he would be not the least surprised to see prices of rubber, tin and palm oil breaking record levels once the global recovery is under way.

Wong Sulong



MALAYSIA'S EXTERNAL TRADE

	1980 $m	1980 % growth	1981 $m	1981 % growth	1982† $m	1982† % growth
Total exports (fob)	28,201	16.4	28,018	−0.7	31,248	11.5
Rubber	4,617	3.0	4,131	−10.5	4,582	10.9
Petroleum crude	6,709	59.4	6,738	0.4	7,175	6.5
Tin	2,505	8.2	2,248	−10.3	2,326	3.5
Palm oil (crude and processed)	2,515	5.3	2,880	14.5	3,438	19.4
Sawlogs	2,621	−8.8	2,325	−11.3	2,499	7.5
Manufactures	6,169	28.6	6,600	7.0	7,780	17.9
Total imports (cif)	23,539	37.2	27,804	18.1	32,142	15.6
Food, beverages and tobacco	2,671	19.3	3,005	12.5	3,451	14.8
Manufactures	4,913	31.0	5,780	17.6	6,648	15.0
Petroleum crude	1,879	49.2	2,005	6.7	2,100	4.7
Machinery and transport equipment	9,081	43.5	10,803	19.0	12,641	17.0
Balance of trade	4,662		214		−894	

† Forecast

Strong lobby for independence from international pacts

MALAYSIA, a major world commodity producer, is disenchanted with international commodity agreements.

The Prime Minister, Dr Mahathir, has made no secret that he feels these pacts are inequitable in that they serve the purpose of the consuming countries in times of short supply but fail to protect adequately the interests of producers when prices are low.

There is now a strong lobby in Malaysia for commodity producers to strike out on their own. This is a complete reversal of the Malaysian commodity policy hammered out eight years ago when Datuk Musa Hitam was Primary Industries Minister.

Malaysia accounts for 35 per cent of the world's exports of rubber, 50 per cent of palm oil, 30 per cent of tin, 35 per cent of tropical hardwoods and 30 per cent of pepper. In addition it ranks sixth in reserves of natural gas.

Thus in relation to its area and population Malaysia commands a disproportionately large influence in international commodity affairs.

There is one central aim in Malaysian commodity policy, past and present: stable and remunerative prices. Memories of the "rubber shock" of December 1974 still send a chill through Malaysia's leaders.

On that occasion low prices and continuous rain which prevented work forced thousands of desperate farmers on the streets in Kedah State and sparked off massive—and for the first time non-racial—student demonstrations. Anwar Ibrahim, now a rising star in government, was leading students to agitate for swift Government relief.

The aftermath was the Government's decision that the best insurance against future rural revolts was to ensure that commodity prices do not fluctuate violently. Malaysia went ahead to play a bigger role in international commodity negotiations. It supported commodity pacts and even approached Japan for a "Stabex Scheme" (stabilisation of export earnings) for the ASEAN countries.

The reversal of this policy of producer-consumer co-operation can be traced to three factors: actions by the Reagan Administration in pursuit of its economic philosophy which did enormous harm in undermining the confidence of producers; the prolonged global recession which has severely depressed prices; and the combative style of Dr Mahathir.

The tin market provided the battleground. There is no doubt that both the U.S. and Malaysia had broken the articles of the International Tin Agreement, if not in action then in spirit.

Frustration over continual U.S. disposal of surplus stockpile tin and its persistent refusal of repeated demands for a revision in ITC prices to accommodate production costs led Malaysia to support the mysterious buyer on the London Metal Exchange.

The story is well known. Suffice it to say that the episode left the Malaysians deeply disenchanted with the rules of the game. This sense of hurt was reinforced when the consuming nations, again led by the U.S., took advantage of a technicality in the International Natural Rubber Agreement to force a 1 per cent cut in the rubber price range.

Dr Mahathir is not a man to accept without a fight what he perceived to be injustices inflicted on developing countries by the rich nations in the protection of their interests.

Although Malaysia is still a member of the sixth International Tin Agreement and the Rubber Agreement, it has made it clear that it reserves the right and will act to protect its interests if these multi-national agreements are slow in responding to producers' needs.

Malaysia feels producers should band together to protect themselves. It is lobbying hard to win Indonesian and Thai support to give more teeth to the Association of Natural Rubber Producing Countries (ANRPC) and the proposed Tin Producers Association.

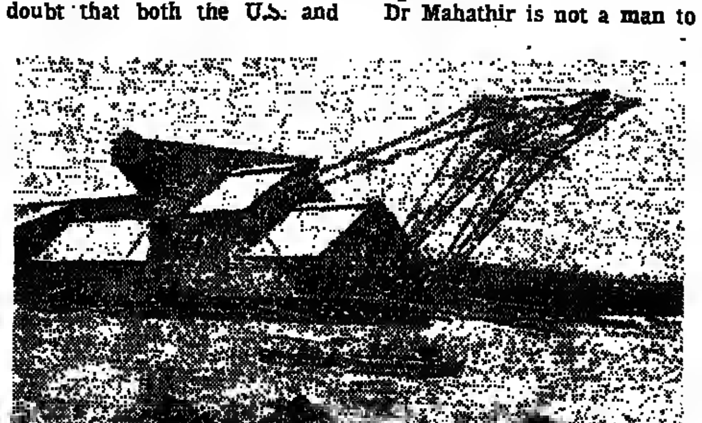
In theory, the coming together of Malaysia, Indonesia and Thailand, politically like-minded neighbours, could be a formidable force in the market since they control 80 per cent of rubber exports and 70 per cent of tin.

The problem is that while the Indonesians and Thais are equally interested in stable and remunerative prices for their commodities they do not feel that a direct confrontation with consumers is the best way.

The Indonesians in particular have always felt piqued at having to play second fiddle to Malaysia on commodity issues when in many other respects they consider themselves to be the "big brother."

Both Indonesia and Thailand want to diversify their export base. Rubber and tin fit into their programme and they do not want to enter into any long-term commitments that would curb their expansion plans for these commodities.

Wong Sulong



Tin is one of the markets where Malaysia is battling for a better deal for producers. Dredging—as pictured above at the Perangsang Rio Tinto lease at Labohan Dagang—is the main local method of ore extraction.

The Eastern States

Separated from the mainland part of the Federation by 1,000 miles of the South China Sea and ethnically different in population, Sarawak and Sabah present a special concern to the Government in Kuala Lumpur

Resource wealth allows scope for qualified autonomy

MALAYSIA'S two eastern states of Sabah and Sarawak, critically important to the federation because of their oil, gas and timber wealth, are at the same time the country's renegade states.

Separated from peninsular Malaysia by 1,000 miles of sea and populated by people radically and culturally distinct from the Moslem Malays of the peninsular, they have repeatedly taken pains since joining the federation in 1963 to demonstrate their separateness.

Exploiting the independence that comes from oil and timber earnings and inflaming local fears of federal interference whenever it was appropriate, the state governments have won for themselves an exceptional degree of autonomy to manage affairs in their own distinctive and sometimes cavalier style.

At the same time federal power needs to be carefully courted. Kuala Lumpur can dispense or withhold development funds, mobilise or frustrate election machines, soothe or stir up factional conflict in the states — and so can never be taken for granted.

The result is that politics and economic management in a state like Sabah are almost inevitably larger than life. Elections are waged with unparalleled ferocity. No political vitriol is spared in a contest where stakes are exceptionally high. Victory means access to very large resources which can be used for patronage. To dispense rewards for loyalty is seen as no sin.

Datuk Harris Saleh, since sweeping to power at the head of the breakaway Berjaya party in 1976, has run the administration in a manner more suited to an autocratic managing director than to a democratically elected Chief Minister.

But the state has seen benefits from this. When Datuk Harris's predecessor, Tun Mustapha, was overthrown after 12 years of running the state almost as a personal fiefdom the coffers were empty. State funds have since been built up to more than M$1.4bn. The fruits of substantial development spending are evident across the state—and no-where more so than in Datuk Harris's home town of Labuan.

Associated gas soon to be piped onshore at Labuan from the oil fields of Erbwest and Samarang will by the middle of the decade be fuelling a M$466m sponge iron plant and a M$740m methanol plant and power station. A strong bid is being made for federal approval for a M$1.2bn pulp and paper mill, though recent cuts in federal development spending may lead to this project being shelved.

Such developments, along with the rise of oil earnings and a broadening of the state's agricultural base, have curbed Sabah's dangerous dependence on the timber industry. In 1976 unsawn logs accounted for over 50 per cent of the state's M$2.2bn export earnings. Last year timber products accounted for barely 30 per cent of export earnings which had doubled.

Sarawak, Malaysia's largest state, has in the past been bypassed by Malaysia's rapid economic growth, even though earnings from offshore oil and gas have been substantial. Its soil is less fertile than Sabah's, its jungles more impenetrable. As a result over 60 per cent of the state's 1m population still live in poverty.

Despite formidable problems linked with laying down an infrastructure of roads, water and electricity and despite a continuing shortage of skilled labour, changes are taking place which could alter the face of northern Borneo.

At Bintulu oil and gas reserves are to be tapped to establish an LNG plant, a crude oil terminal, an urea and ammonia plant and a palm oil bulking station. A deep-water port is to be finished at nearby Tanjung Kidurong by early next year. The total development, costing about US$4bn, is likely to be the largest development ever in South-East Asia.

Bintulu, eventually to be linked to the rest of the state by the pan-Sarawak highway and the focus for numerous smaller manufacturing ventures, is likely to be the catalyst that sweeps the state from the Stone Age into the Space Age—though there are many who justly fear such a sudden and drastic change.

With such great untapped potential Sabah and Sarawak are being kept on a short leash by the federal government lest they throw off the federation and try to go it alone. Complaints are often made in the two states that the 5 per cent royalty they get on oil exports is a pittance and is in no way made up for by federal development spending. Kuala Lumpur obviously sees things in a different light, wanting to use oil revenues for the development needs of the federation and limiting the royalty to ensure contrived dependence on the central administration.

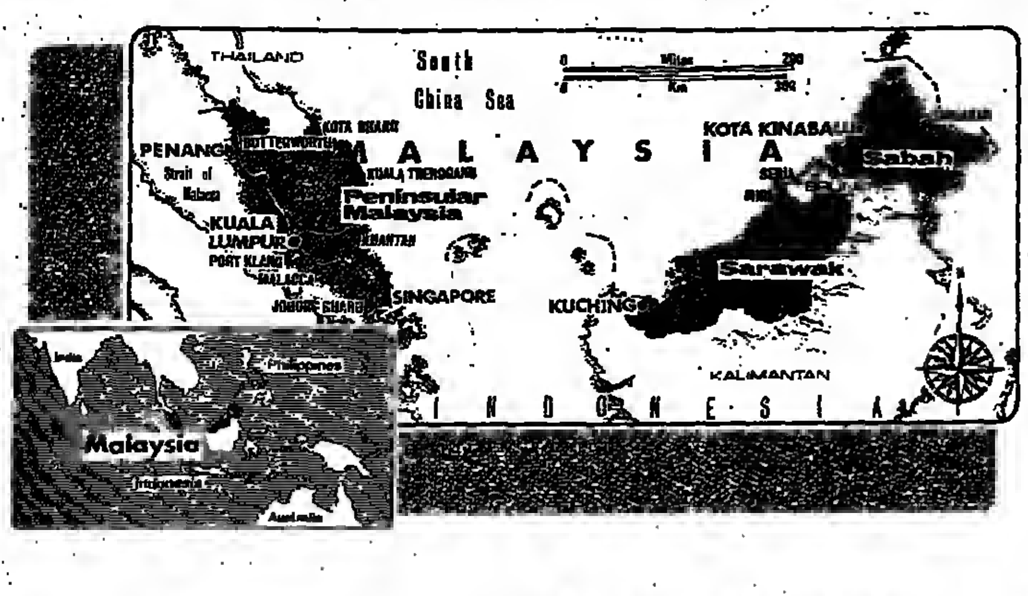
Present relations between the eastern states and the centre are awkward. In April's federal elections Datuk Harris fielded "independent" candidates in Sabah against federal government-backed candidates in an attempt to maintain a monopoly of power. The "independent" victories were a direct snub to Dr Mahathir, and there has since been a steady stream of rumours that the federal government was manoeuvring to remove Datuk Harris from power.

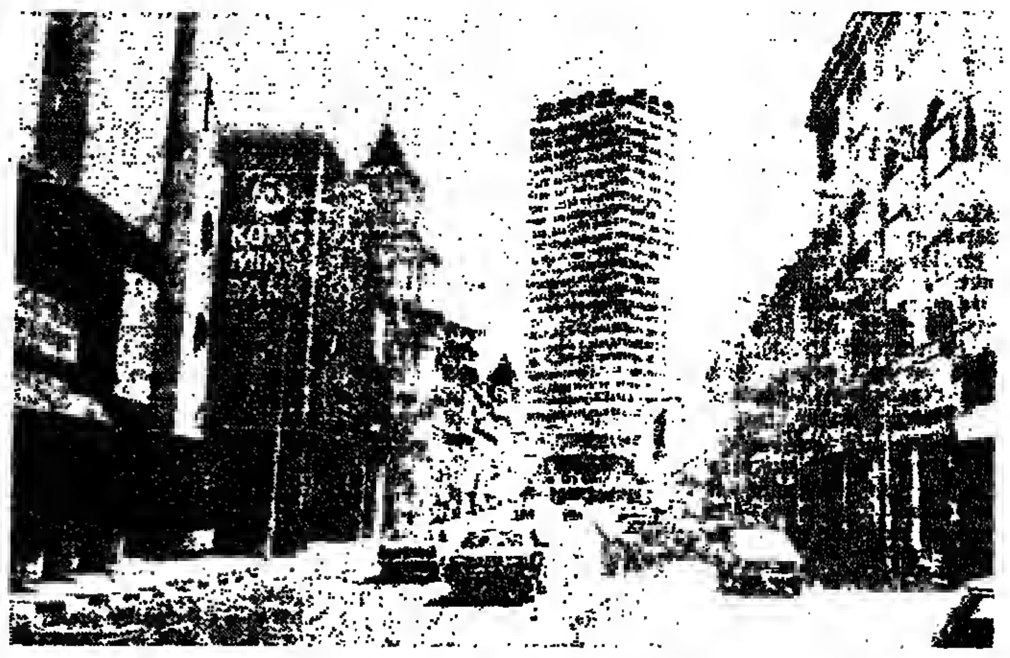
Flushed with victory Datuk Harris has been striving to pour oil on troubled waters, praising the "2-MS" government and launching an anti corruption drive to echo that on the peninsula.

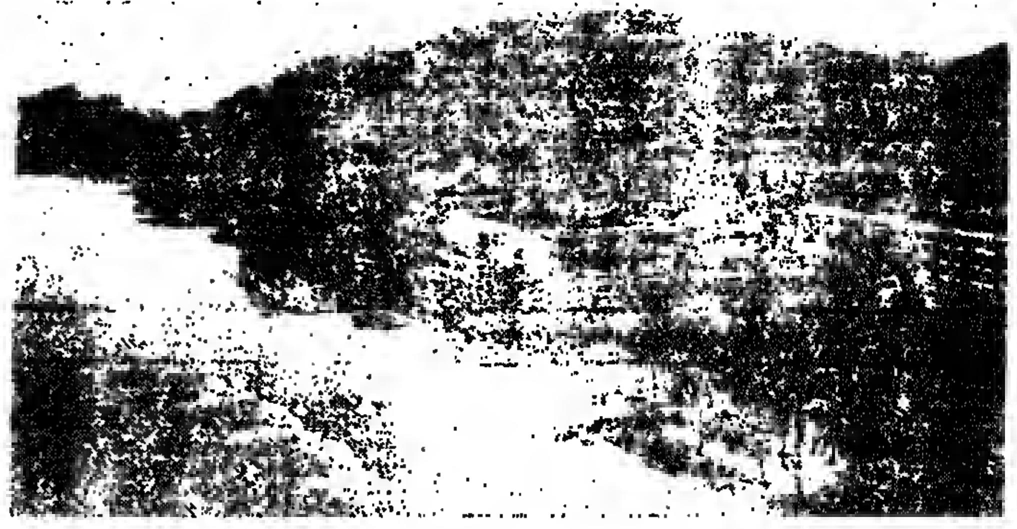
In Sarawak unexpected victories for the opposition DAP in April underlined increasing restiveness among the state's Chinese population.

Federal governments have in the past resisted the temptation to force the eastern states into the fold. This is in part because of a fear of the possible consequences and in part because the people of Sabah and Sarawak remain for many an enigma, a home for pirates, head-hunters and animists. Rapid development is likely to attract increasing attention but an enigma they will remain for some years to come.

D. D.







Above: The financial district of the capital Kuala Lumpur. Below: The Rasa Sayang Hotel at Batu Ferringhi typifies the Government's desire to encourage the tourist.

Banking

Two more expatriate banks are about to begin the process of Malaysianisation

Further moves towards equity surrender

IN ANOTHER six months or so the two largest foreign banks in Malaysia—Chartered Bank and Hongkong Shanghai Bank (HSBC)—are due to announce details of plans to Malaysianise. The events are significant. Banking anywhere is a strategic business.

Chartered, part of the Standard and Chartered group of the UK, and HSBC would set into motion the equity restructuring in foreign banks that had been undertaken in the 1970s and is now largely completed in the mining and plantation sectors.

Malaysianisation of foreign banks is not new. The law prohibits banks in Malaysia from being controlled by a foreign government and quite a few banks had restructured under this rule.

The latest is Banque Indosuez, which had been nationalised by President Mitterrand's Socialist Government in France. It has incorporated a local entity, called the Malaysian French Bank, to take over its two branches and will sell off 70 per cent of the stake to Malaysians, retaining only 30 per cent.

In the seventies three Indian banks and one Pakistani bank in Malaysia were reorganised to form the United Asian Bank and Perwira Habib Bank respectively when nationalised by their own government.

The significance of the Chartered and HSBC restructuring lies in the scale of the exercise and its impact on other foreign banks which have not as yet complied with the new economic policy.

Both Chartered and HSBC are among the biggest banks in Malaysia. At the end of last year Chartered, with 35 branches in Malaysia, had assets totalling Ringgit 4.3bn and reported a net profit after tax of Ringgit 26.8m.

HSBC, with 36 branches, had assets exceeding Ringgit 4.5bn and a net profit of Ringgit 39.3m at the end of 1981.

In asset terms they would probably occupy third and fifth place, after the locally incorporated Bank Bumiputra, Malayan Banking and United Malayan Banking Corp. (UMBC).

Chartered, founded in 1875, is Malaysia's oldest bank. HSBC celebrates its centenary two years from now. The two banks are not saying much about their negotiations with the authorities, apart from confirming "good progress" so far.

This is understandable. Apart from the scale and legal complexity there are many Bumiputra institutions and individuals vying to be local partners. "Selecting the right Bumiputra partner is extremely important. It makes the difference between plain sailing and endless headaches," comments a corporate planner.

The outline of the restructuring is known: the Malaysian operations of the two banks will be under locally incorporated publicly listed companies.

Initially probably no more than 20 per cent of the equity would be sold to Malaysians. But by 1990 the foreign banks have to reduce their own stakes to 30 per cent.

Finance Minister Tengku Razaleigh.

Originally the banks had argued for majority control over their Malaysian operations because on a sectoral basis the objective of the New Economic Policy had already been achieved. But the Government was insistent that foreign equity in any Malaysian bank should not exceed 30 per cent.

With Chartered and HSBC restructured the pressure will be on the 14 other foreign banks. Some feel, however, that those with only one or two branches will be left alone. "The Government is only interested in the big fish," says one American banker.

The "big fish," apart from Chartered and HSBC, are the Singapore banks led by Oversea Chinese Banking Corp. with 35 branches, Chung Khiaw (16) and Overseas Union Bank (12).

A foreign bank which is deemed to have complied with the new economic policy, will enjoy the benefits accorded to local banks. They will not be barred from opening new branches, will be able to accept deposits from Government and statutory bodies and enjoy a more favourable capital to deposit ratio.

On the local banking scene the past year has been characterised by the change-over in top management reflecting the fortunes on the political scene.

Appointments of new executive chairmen were made at Bank Bumiputra, Malayan Banking and UMBC. These changes were at the direction of Dr Mahathir, the Prime Minister, who wants to clear the decks of men considered to be sympathetic to Tengku Razaleigh, the Finance Minister.

Operationally, the industry is expected to see a slower growth rate than in the past five years, in line with the slowdown in the economy.

Liquidity will continue to remain tight, reflecting the reduced earnings from Malaysia's exports.

The past months saw the easing of deposit rates but bank lending rates are inching up. The banks say their lending rates have to go up because of tight money conditions and the fact that they have to cover for large portions of their loans made to the "priority sectors" at only 10 per cent interest—although one suspects there is also a strong element of profit maximisation.

The prime rate is still pegged, largely at the insistence of the central bank, at 8.5 per cent, although no one now qualifies for the prime. Even the most desirable clients pay 11 to 12 per cent, while the usual rate is 13 to 15 per cent.

The Malaysian stock market is in for a depressed year after four years of steady expansion which climaxed in a record boom in the first half of last year. The Kuala Lumpur Stock Exchange (KLSE) industrial index reached an all-time high of 823 points at the end of June 1981 but the subsequent fall was swift and traumatic.

In the two months July-August the bottom fell out of the market and panic selling and short-sellers forced the KLSE index down by more than 350 points.

There was a moderate recovery in the last quarter of the year but prices began sliding again at the start of 1982 as the prolonged global recession began to bite harder into the local economy.

The current KLSE index is around 360, the lowest in 2½ years. Most analysts do not foresee any improvement until the end of the year or even longer.

For the first six months of this year a total of 419m units, valued at ringgit 1.5bn were traded on the KLSE compared with 1.017bn units value at ringgit 5.124bn during the corresponding period last year and 1.636bn units valued at ringgit 8.059bn for all of 1981.

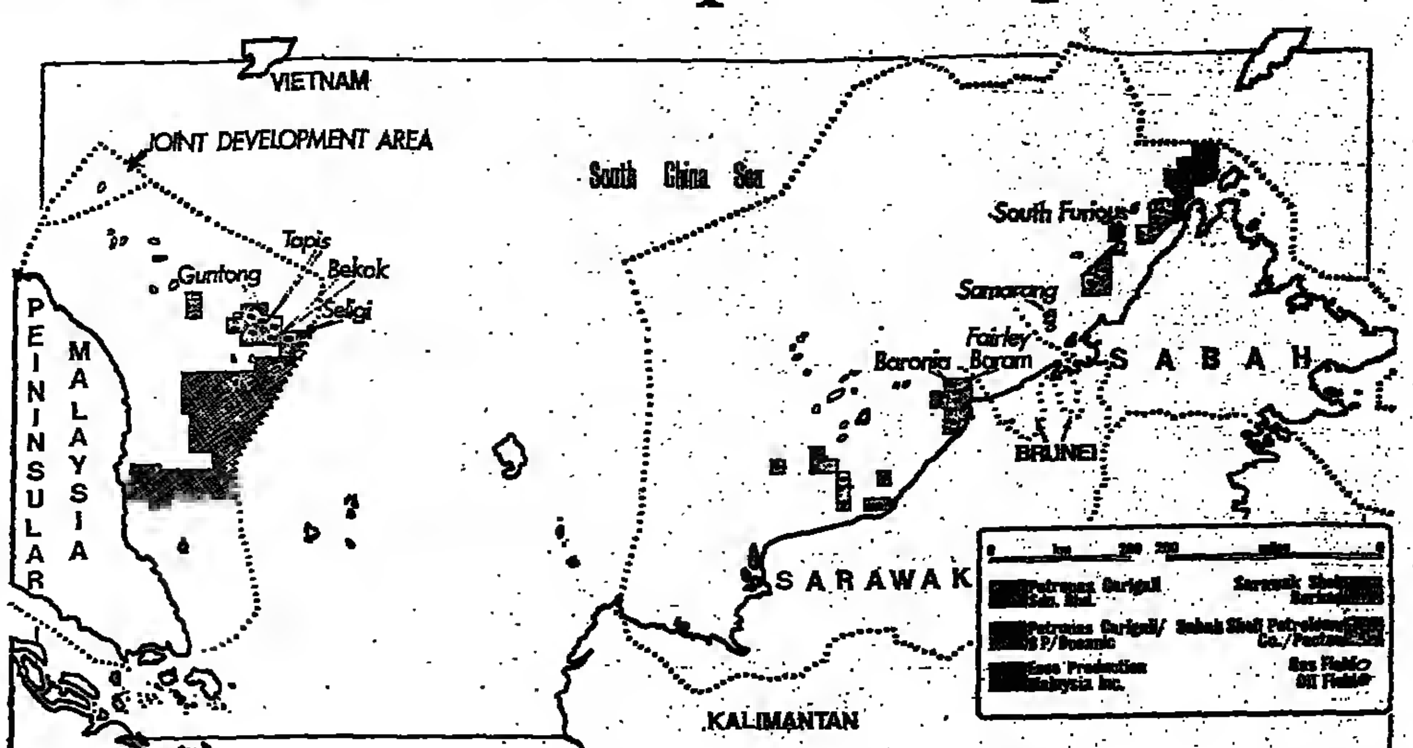
Market capitalisation of the 252 securities traded on the exchange at the end of June this year was ringgit 49.1bn compared with ringgit 65.2bn at the same time last year.

W.S.

Energy and Industry

Malaysia does not rank all that high in the oil states' table but its offshore resources are proving a useful help when recession is hitting its traditional commodity exports. They are also seen as valuable fuel and feedstock for the country's industrialisation programmes.

Offshore fields linked to ambitious development plans



Oil and gas revenues prop economy

MALAYSIA'S oil and gas reserves are not large enough to provide a panacea for the country's economic ills but at a time of deepening world recession they are allowing the Government to apply a gentle brake rather than bring development spending to an emergency stop.

Over the past six months the state oil company Petronas has responded to Government pressure to boost oil earnings by raising output from an average 260,000 barrels-a-day (b/d) last year to a target for 1982 of 290,000 b/d. As it is not a member of Opec it has been free to raise output—unlike neighbouring Indonesia.

But Mr Rastam Hadi, managing director of Petronas, has made it clear that oil and gas should not be seen as a cure-all for government financial problems: "There is a very strong case for keeping resources in the ground. But at the same time governments need money and it is not much use keeping the oil in the ground when people are starving or living in poverty. Therefore we are following Buddha's golden middle path."

Malaysia has the world's 22nd largest oil reserves, estimated at 2.8bn barrels, and the world's 12th largest gas reserves, about 30 trillion cu metres. It has about 50 fields, eight of them major. They lie offshore the two eastern states of Sabah and Sarawak and offshore the peninsular state of Trengganu.

Earnings from oil exports have risen from M$882m in 1975 to M$6.9bn last year, accounting for almost 27 per cent of all export earnings. When LNG comes on stream in January next year an additional M$1bn will be added to exports, with gas export earnings planned to quadruple over the next four years.

The three oil companies most active in Malaysian waters—Shell, Esso and Petronas Carigali — have steadily increased spending on exploration and development drilling. Petronas alone has raised spending from M$279m in 1979 to M$564m last year and it is likely to remain at this level over the coming four years, with an average of two new contract areas being opened up every year.

Malaysia's reserves are comparatively difficult to raise. They are in deep water, up to 150 metres offshore, and in a salami of sedimentary deposits which makes reservoirs small and easy to miss. Fields rarely last more than seven to 10 years.

At the same time, the quality of Malaysian crude is high—between 41-44 API, and with a sulphur content of less than 0.1 per cent. This means Malaysia can still charge a substantial premium over other oils. At the peak in mid-1980 oil was fetching U.S.$41 a barrel. Miri Marker crude now earns U.S.$35.60 a barrel, with blends ranging from U.S.$35.10 to U.S.$37.30.

By comparison with other parts of Asia, Malaysia's waters have been fairly thoroughly explored so the chances of major new finds are small. Nevertheless, the likelihood of modest new discoveries is thought to be high.

So Malaysia's days as a net exporter of oil are clearly numbered. Domestic consumption currently stands at 180,000 b/d and is growing at about 9 per cent a year. Rastam Hadi predicts that the country will be a net importer in the early 1990s, with gas reserves providing an extra three or four years of leeway.

It is from this perspective that Petronas' articulate managing director sees the current world glut of oil as a temporary phenomenon. "There are only certain reserves in the world and consumption continues to grow. I see scarcity coming up. Maybe this does not apply over the next three years but in the longer term shortages are inevitable. There is a background of general scarcity."

While Malaysia's oil and gas reserves last they are likely to play a critical role in the country's development. Gas coming onshore in Bintulu in Sarawak is to be the feedstock for a range of ambitious new development projects. The LNG plant will in due course provide Japan with 6m tonnes of LNG a year, 20 per cent of all its gas needs. A crude oil terminal and a urea/ammonia plant are being built, along with palm oil tanks.

The Bintulu Development Authority also has plans for an aluminium smelter, an iron ore reduction plant and a steel furnace, though recent cuts in Malaysia's federal development spending plans are likely to mean these projects being put on ice for a while.

Further along the Borneo coast in Labuan in Sabah associated gas being piped onshore from the Samarang and Erbwest fields is to be used for a sponge iron plant, a methanol plant and a host of smaller developments.

Gas coming onshore in Trengganu is likely to be for domestic use, making gas the main fuel for Malaysia's industrialisation plans in the years ahead.

D. D.

MALAYSIAN OFFSHORE OIL PRODUCTION

	Name of field, discovery date	Depth, feet	Barrels per day average, first-half 1981	Cumulative bbl. to July 1 1981	API gravity
ESSO MALAYSIA	Bekok, 1976	5,500	22,500	16,200,000	47.6
	Pulai, 1973	4,300	25,000	33,900,000	43.3
	Tapis, 1975	6,700	69,800	67,300,000	43.3
	Tembungo, 1971 ...	6,000	3,100	15,500,000	37.6
SARAWAK SHELL BERHAD	Bakau, 1971	11,000	200	5,900,000	39.0
	Baram, 1963	9,500	7,300	99,800,000	40.5
	Baronia, 1967	11,000	2,000	97,600,000	42.0
	Betty, 1967	...	31,000	19,200,000	38.0
	Fairley-Baram, 1963	...	1,200	15,800,000	40.0
	West Lutong, 1966	...	13,300	96,900,000	39.5
	Miri, 1911	...	...	80,000,000	27.0
	Temaoa, 1972	...	10,300	4,500,000	35.0
	Tukau, 1966	...	18,200	40,800,000	29.2
SABAH SHELL	Semarang, 1972 ...	...	46,100	122,800,000	37.0
	South Furious, 1974	...	5,000	2,100,000	30.0
	Total Malaysia...		268,000	710,000,000	

Source: Oil and Gas Journal.

Wedded to industrial projects despite adverse times

MALAYSIA is launching into the most ambitious phase of its industrialisation programme—development of heavy industries—at an inauspicious time.

Recession has thrown up a worldwide surplus of capacity in steel, ship-building, oil refining and manufacturing. Within Malaysia it has led to a contraction in demand and a squeeze on revenues, forcing big cutbacks in public spending.

Many foreign industrialists argue that apart from the bad timing the Malaysian market of 13m people is too small to support a heavy industrial sector.

Despite these obstacles the Malaysian Government remains singularly undaunted.

Mr Rastam Hadi, managing director of Petronas, the national oil corporation, perhaps best summed up the Government's attitude when he said: "Suppose there is a surplus of restaurants. Would a person building his own house leave out the kitchen?"

Tan Sri Jamil Jan, executive chairman of the Heavy Industries Corporation of Malaysia (HICOM), concedes the Malaysian market is small but is confident that even so it can support the projects his newly formed corporation is undertaking.

HICOM and Petronas—both government agencies — are spearheading the heavy industry programme, with the latter taking charge of oil and gas-related projects such as the Bintulu liquid natural gas field, the urea factory and oil refineries and the former the non-oil industries.

Over in the East Malaysian state of Sabah the state energy group is also building a $400m sponge iron plant, a gas-processing facility and a methanol plant. In all more than $4bn has been committed to these projects.

The creation of a heavy industrial sector is something close to Prime Minister Dr Mahathir's heart but it would be wrong to assume it is based on sentimental reasons.

Malaysia has very large reserves of natural gas and instead of merely exporting it to Japan, as is the case of the Bintulu LNG plant, or flaring it off in the course of lifting oil the Government wants to establish a range of industries using the gas as fuel or feedstock.

The sponge iron plant, currently being built by a Japanese consortium, is an illustration of how the Government intends to go about its heavy industrial programme.

Sited at Telok Kalong in the east coast state of Trengganu, the plant will use gas under the direct reduction method to produce 600,000 tonnes of billets to supply the steel mills in the country for production of bars and rods for the building industry.

The eight-member consortium, led by Nippon Steel, is taking a 30 per cent equity participation and has also lined up the necessary finance with Japanese institutions on attractive terms.

As far as possible HICOM would want all its projects to be similarly packaged. The direct equity participation of the project contractor serves as an insurance.

A letter of intent had also been signed with another Japanese consortium, in which Nippon Steel is involved, for a $250m 600,000-tonnes cold rolling steel mill, also at Telok Kalong.

HICOM is re-examining the project. It does not want to be caught with a plant whose capacity exceeds local demand, because for the past three years demand for cold steel has been flat.

Tan Sri Jamil says at some stage, perhaps by 1990, HICOM would have to consider putting up a hot rolling steel mill as well (to supply steel for the cold rolling mill) but such a venture would have to have a capacity of 3m tonnes to be profitable.

"What we are doing is backward integration. We have the demand for end-products of steel and we are working backwards to produce the raw material."

The other HICOM venture being implemented with Japanese and Singapore partners is the $200m 1.2m-tonne cement plant at Langkawi Island in the north.

It should come on stream in 1984. There are plans to double its capacity eventually and to set up a 600,000-tonne clinker grinding plant in the southern state of Johore.

At present, because of distance, Johore imports as much as 400,000 tonnes of cement across the causeway from Singapore.

HICOM projects in the pipeline include a motor cycle engine plant (three Japanese groups are bidding to build it) and an engineering complex, while a pulp and paper factory and car manufacture are being "actively" studied for possible implementation in the mid-1980s.

Several foreign aluminium companies are also keen to relocate their smelters in Sarawak—although the Malaysian authorities are in two minds whether to allow them to exploit the tremendous hydro-power potential of Sarawak's rivers for cheap energy.

Malaysia's manufacturing sector has grown rapidly since independence and now accounts for 21 per cent of Gross Domestic Product. The Government's import substitution policy of the 1960s and its labour-intensive export-orientated policy of the 1970s has been highly successful.

The policy of the 1980s is to encourage greater agro-based processing and higher value goods instead of the sensitive textile and electronic assembly factories which employ tens of thousands of workers at wages as low as $2.5 a day.

Manufacturing has not been spared by the recession. Output declined by 1.8 per cent during the first quarter of 1982, compared with 6 per cent growth in 1981 and 12 per cent growth annually during the 1970s.

Exports of manufactured goods fell sharply by 23 per cent between January and March this year to 1.190bn ringgit, with textiles and semi-finished electrical goods the hardest hit.

Taiping Textiles, one of the biggest and most modern companies with 2,300 workers, is working 24 hours a day, seven days a week and yet is only breaking even. No wonder virtually every Malaysian textile company is diversifying into other areas of activity, particularly property development.

W. S.

Malaysia's efforts to achieve self-sufficiency in cement have taken a major step forward with the commissioning of this 1.2m tonnes per year works at Rawang. The new kiln cost its owners—Associated Pan Malaysia Cement (an associate of the UK group Blue Circle Industries)—a total of £40m and took two years to complete. Oil-fired, it is claimed to be among the most fuel-efficient plants of its kind in South-East Asia.

هكذا من الأصل

مكتبة الأهرام

THE FAILURE OF CURRENCY FLOATING

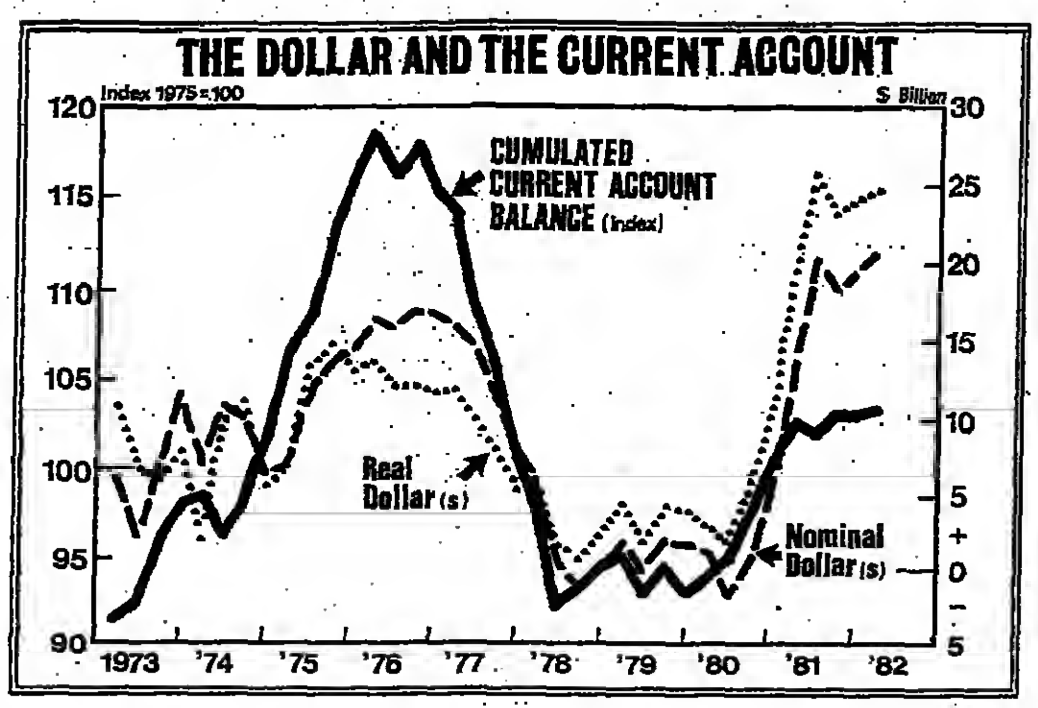
The speculators are missing

By David T. King

THE ONLY thing that is perfectly clear about today's volatile and uncertain exchange markets is that we have been here before. But really, where we are going should be almost as obvious: the exchange rate extremes of 1973, 1976 and 1979 were all soon followed by major movements of the dollar in the other direction.

Each of these sea changes went so far that it set in motion underlying current account adjustments which, in turn, eventually caused a further massive exchange rate reversal. The regularity and economic consistency of these broad swings—in short, their predictability — expose the key and continuing problem of the floating exchange system: the absence of "stabilising speculation."

It is generally agreed that exchange rate flexibility is necessary and desirable. But the big swings in exchange rates, typical of the floating system, are widely seen as costly and even destabilising. More rational exchange rate movements in a free float seem to require greater confidence in established economic relationships in forecasting currency changes.



Martyn Barnes

It is not difficult to identify the most important cause of major dollar movements during the decade of floating.

There have been three major movements of the dollar since floating began, coinciding with three clear trends in the U.S. current account. The dollar has steadily depreciated during periods of current account deficit, when the accumulated current account declines, and persistently appreciated through periods of current account surplus.

The problem is that the markets carry the exchange rate movement well beyond what is required for the correction of such a current account imbalance. Thus, in a period after the real exchange rate has moved enough to eliminate a current account imbalance but before the current account has had time to adjust, the exchange markets continue to position themselves on the basis of observed though inevitably transitory, current account information. By the time the current account actually turns, the real exchange rate is so far under- or over-valued that a massive current account reversal is unavoidable and the cycle starts all over again.

In an important study published in 1978,* Professor Patrick Minford of Liverpool University, a firm proponent of floating exchange rates, identified these dynamics in the British pound's exchange behaviour. They characterised, he suggested, the "*infancy of floating.*"

As the child grew up, its experiences would teach it the reliable and powerful, if lagged, relationship between real exchange rates and current accounts. When the foreign exchange market came of age, participants would adopt sizeable counter-positions as real exchange rates moved beyond levels necessary to correct trade imbalances. In other words, stabilising medium-term speculation, based on established fundamental economic relationships, would become common, and the extremes of exchange rate fluctuation would be substantially dampened.

In fact, however, after nearly a decade of trial and error, floating is still a child, afraid of the dark in a medium term exposed foreign currency position.

Perhaps the light of potential cash returns will encourage the maturation of floating. The most straightforward bet on the fundamentals of international trade involves taking a financial position in response to an extreme movement of the real exchange rate, calculated in any simple way. In historical terms, "extreme" may be defined as something on the order of 10 per cent. That percentage overvaluation of sterling, caused by the Baldwin-Churchill administration's return to the gold standard in the late 1920s, brought the British economy to its knees within five years. The 10 per cent overvaluation of the dollar by 1970 resulted in the collapse of the Bretton Woods System.

If, from the 1973 start of generalised floating, one had adopted a basic rule of taking a cross-currency counter-position following any 10 per cent movement of the dollar's real exchange rate, the profits would have been enormous. As shown in the accompanying chart, one would have gone short in dollars in late 1975, just at the dollar-Deutsche mark turning point and only slightly below the dollar's nominal peak of late *1976. After a substantial* gain, the position would have been reversed, to long in dollars, in mid-1978, again ahead of the turning point but only moderately, especially relative to the dramatic appreciation of the dollar that began in mid-1980.

By mid-1981, a short dollar position would have been adopted, at a DM/dollar rate *in the upper* 2.30s. This position would again have been early, but only slightly below the spot dollar's peak in the third quarter of 1981, and well situated for the fourth major reversal in dollar exchange rates which will come in the quarters ahead.

One of the easiest ways for the corporate and government *sectors* to *take* advantage of these opportunities is through cross-currency diversification of their normal medium-term borrowing requirements. The statistical evidence shows that the response of current account balances to real exchange rate changes is fully underway within three years. Thus, for example, the "10 per cent rule," triggering a short-dollar position in mid-1978, would have prompted U.S. corporations and *the U.S. Government* to finance domestic operations by borrowing at a three-year maturity in say, *Deutsche Marks.* A U.S. entity borrowing $10m would have issued a DM 20m, three-year bond in mid-1978, at an interest rate of about 6.5 per cent. Assuming annual interest payments and retirement in June 1981, the net dollar cost of the borrowing would have been $400,000 — an annualised interest rate in dollars of 1.3 per cent. Had $10m been raised in U.S. credit markets for a similar period at the interest rate of about 9 per cent prevailing in mid-1978, the net cost of servicing the debt would have been $2.7m.

Even with current interest rate differentials, the size of the broad exchange rate movements typical of floating promises that dollar borrowing will at worst break even with Deutsche Mark borrowing over the next three years, more likely doing several percentage points better. Certainly it is a dangerous illusion for U.S. corporate treasurers to look now at lower interest rates abroad as an opportunity for reducing borrowing costs by issuing longer-term debt denominated in heavily undervalued foreign currencies — as some unfortunate UK companies did in late 1980.

Governments can use cross-currency debt diversification to moderate extreme exchange rate swings while reducing interest expenditures. This bond-based technique avoids the monetary effects of exchange market intervention. The German Government could, long before now, have easily generated enough capital inflow through the issue and conversion of dollar-denominated securities to stabilise the DM rate, simply redenominating a relatively small proportion of its ongoing new debt.

Just as German corporate sector conversion of borrowed dollars has no monetary effect in Germany while supporting the DM rate, neither do government borrowings.

An efficiently operating floating exchange rate system is disciplined by internationally integrated financial markets. This was what the academic proponents of floating envisioned in promising fluidly stabilising speculation that would keep rates close to fundamental trends. In fact, however, finance was not really ready for floating, and capital markets are still not at all well-integrated across currencies.

Cross-currency liability management is extremely rare, and all but a tiny proportion of medium-term investment is confined to the home currency. Even governments, charged with macro-economic stabilisation, typically take long-term cross-currency positions only as a last resort in an exchange rate defence package. This can, and should, change. Intelligent cross-currency financial positions, since they are based on the prime mover in economic adjustment—real relative prices—carry low risk and are reliably profitable.

Perhaps as the fourth major movement of the dollar emerges, coinciding with the fourth major reversal of the industrial countries' current account pattern, governments and corporations will come to recognise the opportunities offered by exchange rate movements for substantially reducing financing costs and achieving more optimally diversified debt portfolios. Stabilising speculation will hopefully become a more normal activity, and the floating exchange rate system will finally come into its own.

* Patrick Minford, *Substitution Effects, Speculation and Exchange Rate Stability* (North-Holland, Amsterdam, 1978).

Mr King is vice-president, International Finance Department, at Citibank in New York, and worked earlier at the Federal Reserve Bank of New York and the OECD in Paris.

Lombard

Stark arithmetic of productivity

By Max Wilkinson

HERE IS a simple question with a disturbing answer. If Britain had the same overall productivity as Italy, but output remained at its present level, how many people would have been unemployed in August?

The answer is a matter of arithmetic based on the National Institute of Economic and Social Research's latest estimate (for 1980) that Italian overall output per employee is about 10 per cent higher than in the UK. This means that with Italian productivity, the UK would need about 2m fewer workers to produce the same output and total unemployment would now be 5m.

Most of Italy's superiority is in its manufacturing industry which is about 50 per cent more efficient than Britain's. If the comparison is made with a country such as Germany or the Netherlands which are more productive in most sectors of the economy the results are even more startling.

With output unchanged and West Germany's overall productivity, UK unemployment would be 9m. If, on the same basis, the UK had the same productivity as the U.S., 12.5m people.

These are, to be sure, only arithmetical truths, and they do not take account of the 10 per cent improvement in UK manufacturing productivity which occurred last year. Moreover, the comparison with the U.S. should not be taken too seriously because of the huge economies of scale there. However, these comparisons do say quite a bit about the constraints on policy.

Look at the question another way: it would clearly be unrealistic to expect UK productivity to rise by 35 per cent to match West Germany's present performance without an accompanying increase in output.

If output grew at exactly the same rate as productivity (output per person), the total number of jobs would remain the same. So the second question is: how many years of matched growth of output and productivity would be needed for Britain to reach West Germany's present performance?

The answer clearly depends on the rate of growth. At the rate expected for this year—1 per cent—it would take 33 years. However, if we assume a more optimistic average of 3 per cent growth a year, it would take 10 years to catch up with where Germany is now. Since France, Belgium, and the Netherlands have slightly higher overall productivity than Germany it would take rather longer to catch up with them.

At the end of this 10-year spurt, Britain would still have its present level of unemployment—3m adults (ignoring population changes)—and it would still be 10 years behind its Continental competitors.

All this, it must be emphasised, is just arithmetic, but it shows very starkly what Sir Geoffrey Howe had in mind when he said last week that high unemployment would be with us for a long time and that the road to restored competitiveness would be a slow one.

Sir Geoffrey has said repeatedly that the key to reducing unemployment must be improved competitiveness, and that must come from higher productivity as well as more moderate wage settlements.

But the Government has been less anxious to emphasise the truism that it cannot deliver a sustained improvement in productivity without horrific unemployment unless it also has a strategy for rapid growth in real output for the medium term.

Perhaps the Government had no choice but to focus its initial efforts on forcing down people's expectations for inflation; and one of the consequences of its tight policies does seem to have been the sharp rise in productivity last year. But, there is a strong argument that the focus must now change towards a major political effort to raise people's ambitions for growth.

It is hard to see how this could be achieved without more official discussion about how the Government might prime the pump and then help to keep growth going.

The data for the calculations are as follows: UK employed labour force first quarter 1982: 22.4m, unemployment (adult) August: 3.29m. Total productivity for 1980: (UK=100) West Germany 134-140, U.S. 160-200, France and Netherlands 150, Belgium 140 and Italy 110.

Letters to the Editor

Mrs Thatcher, Varley, and the grass roots

From Mr F. Whitehouse

Sir,—Mrs Thatcher shouldn't be tempted to fall for Eric Varley's version of what the workers think of unemployment. He's as far from the grass roots as an absentee landlord and puts on the old record *from force of habit every time* new figures appear.

But the fact that he is out of touch with what is going on down below shouldn't stop her putting her crew urgently to work on bringing her ahead of the Opposition in an understand*ing of the country's new* mood.

Labour was thrown out at the last Election because their old supporters felt let down by their overall performance. Maggie's best chance of winning the next election is by seeing to it that voters don't develop that same *sickened sense of her.*

She has a lot going for her. Even in this Socialist Republic of South Yorkshire there is not the old readiness—in private—to shovel all the blame for our present plight on the Government. It is getting into countless working minds that you cannot have both a soft and a secure job. Not in industry anyway.

Just as they are rapidly realising that you cannot cry out for State *protection of home* industries and at the same time stuff your garage, wardrobes and house with foreign-made goods, they are slowly accepting that they have to be as ready to sell cheap as they have been to buy. Some of Mrs Thatcher's arguments are bearing fruit. In future she will get a more receptive hearing.

The *apparent* "ganging up" of the CBI with the TUC to squeeze her into *softening* her *fiscal policy isn't* doing her all that much harm. Too many workers think they are being used as catspaws to improve industry's profitability rather than find them more jobs. Which makes them dubious of what's afoot.

Of course, theoretically, even people in work are scared stiff of coming out of work. But it's not the old fear that we knew in the 1920s and 1930s. Living is still too good for that and they are readier to accept re-assurance that what can be done is being done. And it's putting herself ahead of the field in this battle for the people's minds that's going to keep her in No. 10.

With Labour and the TUC in their present turmoil she's in with more than a good chance. But she must keep her ear close to the ground. She can't afford to blunder on the run home.

Frank Whitehouse.
135, Ecclesfield Road,
Chapeltown,
Sheffield.

Piece work and day rates

From the Managing Director, Fine Tubes

Sir,—It would be interesting to know the authority on which Mr T. Finnegan (August 25) bases his claim that moving from piece-work to day rates must involve acceptance of a 20 per cent reduction in employee effort.

This dangerous fallacy must not go unchallenged. Like so much else in life one gets what one deserves and this applies as much in management as in private life.

For too long much of British management has used piece-work as a crutch and an easy alternative to the prime responsibility of leadership. If managers will earn the trust of their employees by, among other things, consistent fair treatment and the regular provision of all the facts, they will find that nothing is impossible, including the maintenance of high productivity.

Rolls-Royce has got it right: if it fails it will not survive. It will succeed as many others have done before. But it calls for dedication, long hours and hard work.

If I correctly recall a famous British Institute of Management survey, the majority of British managers would prefer to be *gentlemen-farmers.* Perhaps that is one of the main causes of our present national problems.

T. M. Barclay.
Fine Tubes,
Estover,
Plymouth.

Little movement on discrimination

From Ms Rosemary Berry

Sir,—It is often said that one cannot legislate against discrimination. How true that is! I read with considerable interest the recent article on the trials currently in progress in Normandy on the "Smart" card in the development of electronic funds transfer. The article was most informative and reminded one of the pace of change which exists in so many fields of technology.

Towards the end however, a simple observation slipped in, which illustrates the perceptions which are so common in our society about the roles which men and women typically play in a business environment, particularly a retail one. "In the morning the manager can 'open' the system with his card; the cashier can log on with hers."

I have been closely associated with both retail and banking industries in this country since before the introduction of legislation *either on sex* discrimination or equal pay and it saddens me that there has been so little movement over a decade or more to change the roles of men and women within the retail industry.

I feel able to say that my own company is far less chauvinistic than some but I know for a fact that within the retail industry per se, while the letter of the law is undoubtedly observed with regard to equal opportunities and equal pay, there are still jobs which are very typically thought of as men's jobs and those which are reserved for women. I only wish I could see some real prospect of any real change in the situation.

Rosemary J. Berry.
Director Personnel,
UK Travel Operations.
Thomas Cook,
P.O. Box 36, Thorpe Wood,
Peterborough.

No magic wand will be waved

From Mr D. Pitts

Sir,—I view with complete dismay the current media view of the Confederation of British Industry. *I* believe that that organisation is attempting to be economically realistic, as confirmation of its membership researches indicates.

It seems that Government has spent these past twelve months, at approximately three-monthly intervals, indulging in a public relations campaign, to tell the country, and *the business* world in particular, that things are not really as bad as they think and, in fact, they are getting progressively better. The hard *fact* of life is that the majority of those in the construction industry are having a pretty *rough time*, increases in cost are only acceptable through improved efficiency and performance. Many of us see little real increase in activity, inspite of Government belief to the contrary.

The basic situation seems that with 3m-plus unemployed, no Government, whatever colour, is going to wave a magic wand to cure our ills. The sooner the public at large, realises that government of itself has no money, and only acquires it by taxation, then it surely must be clear that there are increasingly fewer of us who are attempting to generate wealth and pay taxes, while there are increasing numbers of those who have to be supported — the public sector and the unemployed.

Please will the Government attempt to reduce the revenue expenditure of this public sector —the wages and salaries bill— to a level of efficiency comparable with present private industry (which has already been through its "trauma of change" these *past* two and a half years) so that a realistic view may be taken of capital expenditure which, through national and local government, accounts for some 80 per cent of the construction industry throughput.

Finally, let us get away from the "sides situation". Why shouldn't organisations like CBI talk to the Opposition, as well as Government, whoever is in *power*. All, *surely*, it is trying to do, is to help develop the economic base of the country, so that there may be a fairer balance between those who produce wealth and those who consume it.

David Pitts and Holt.
413 Cutler Heights Lane,
Bradford, Yorkshire.

Frustrations of delivering letters

From Mr J. R. Potts

Sir,—I have recently been involved in delivering envelopes for a charitable appeal to a large number of firms in the City of London, and have found it a frustrating experience.

Many buildings do not show a street number, and a significant proportion of corner buildings do not show the street name. Newly-constructed buildings are major offenders.

Can I prevail upon your readers in the City to check *whether* their own building is an offender, and in which case to do something about it.

J. R. Potts.
Lloyds Chambers,
9-13, Crutched Friars,
EC3

Hanover Invs. at £30,000

Including interest received of £141,000 for the period, pre-tax profits of Hanover Investments (Holdings) amounted to £30,000 for the year ended February 28 1982, on turnover of £1.34m.

Figures for the previous year were £233,000 and £4.99m respectively, but these included trading profits of £286,000 and turnover of £3.26m in respect of the tobacco and engineering businesses which were disposed of or discontinued during that year—the company was formerly Sobranie (Holdings).

The leisure division suffered substantial losses in 1981-82—these have been effectively curtailed since the year-end—which adversely affected the steady progress made by the other trading divisions, directors state.

The group's current trading position shows an improvement over the corresponding period last year, they add.

The dividend is maintained at 1.85p net per 10p share with a same-again final payment of 1.15p.

There was a tax credit of £34,000 (£175,000 debit) and an extraordinary credit of £44,000 (£229,000).

ANGLIAN AND NW WATER

The Monopolies and Mergers Commission has been allowed more time to report on its investigation into the sewerage functions of the Anglian and North West Water Authorities. The reporting period has been extended by one month to October 2.

Quest Automation results delayed

BY DOMINIC LAWSON

Quest Automation, the troubled Computer-Aided Design (CAD) company, has delayed the announcement of its full year figures for the year to February 1982.

The figures had been expected in August, but according to managing director Mr Tony Ebel "there has been a delay in getting the full results from overseas subsidiaries. But it is just a question of dotting the i's and crossing the t's."

Mr Ebel added that "UK sales so far this year have been twice the level achieved in the whole of 1981."

On January 6 1982 Quest announced a pre-tax loss of £1.46m for the six months to August 1981, and on the day the shares fell 25 per cent to 100p. A fortnight ago the shares, which have been as high as 140p this year, fell to an all-time low of 20p.

On Friday the shares added 3p to close at 30p, capitalising the company at £4.2m.

Phoenix Timber forecasts first half losses

DESPITE A 7 per cent increase in first quarter sales the Phoenix Timber Group is unlikely to return to profitability in the current half year, Mr A. B. Gourvitch, chairman, tells members in his annual statement.

As reported on August 9 this timber importer and merchant reduced taxable losses from £2.66m to £1.24m in the year to March 31 1982 on higher turnover of £39.59m, compared with £37.81m. Losses per 25p share were given lower at 41.5p (75.3p) and the final dividend was again missed.

The chairman said then that the present downward trend of interest rates should help to restore business confidence, but in view of the experience of last year the directors' optimism must be tempered with caution.

At the year-end shareholders' funds stood at £7.06m (£8.14m). Fixed assets were valued at £7.2m (£7.39m) and net current assets came to £4.97m (£5.75m). During the year there was an increase in working capital of £1.22m (£2.7m decrease).

Current cost adjustments increased the taxable losses to £1.47m (£3.18m) and the losses per share to 49p (96p).

Meeting, Rainham, Essex, September 23, noon.

SEET ahead in current year

THE GROUP balance sheet of Scottish, English and European Textiles remains strong and the results shown by management figures to date are better than those for the same period last year, says Mr J. H. M. Mackenzie, the chairman, in his annual statement.

Despite certain comments to the contrary the worldwide recession still appears to be here, he says, and as a result it is very difficult to give any firm indication as to the likely group results for 1982-83 until publication of the half yearly figures.

As reported August 19, pre-tax profits of this woven fabrics manufacturer, fell from £1.42m to £0.95m for the year ended April 30 1982 on turnover down from £12.59m to £10.92m.

At the year end, group shareholders' funds were up from £5.04m to £5.56m. Net current assets improved from £4.21m to £4.65m, while fixed assets came to £1.99m (£2.18m). There was an increase in working capital of £345,000 (£573,000).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: Elys (Wimbledon), Ladbroke, Lambert Howarth, Macfarlane (Clansman), Nu-Swift Industries, Thomas Robinson.

Finals: Cowan De Groot, Rightwise.

FUTURE DATES

Interims—

Bromsall (C. O.)	Sept 13
Church	Sept 9
Croda International	Sept 8
Elys (Wimbledon)	Aug 31
Liberty	Sept 24
London United Investments	Sept 14
RMC	Sept 29
Spencer (George)	Sept 18
Wilson (Connolly)	Sept 8

Final—

Electronic Machine	Sept 9

BERKELEY EXPLORATION

Acceptances have been received in respect of 4,807,431 new shares of £1 each in Berkeley Exploration and Production, representing approximately 96.8 per cent of the new 4,965,000 new shares offered by way of rights to ordinary shareholders.

The new shares not taken up have been sold in accordance with the terms of the issue for the benefit of the ordinary shareholders to whom the shares were previously allotted.

Underwriters have accordingly been relieved of their liability.

Sharp rise at Benford Concrete

For the first half of 1982, Benford Concrete Machinery has lifted pre-tax profits from £0.94m to £1.6m, on turnover of £14.55m, compared with £10.53m. The better result reflects the completion of two exceptional and unusually large export contracts.

After tax of £650,000 (£400,000) net profits were ahead from £539,000 to £955,000. Earnings per 10p share were 1.9p higher at 4.3p, while the interim dividend is unchanged at 0.875p net—last year's total payment was 3.025p on taxable profits of £3m (£2.31m).

FT Share Information

The following securities have been added to the Share Information Service:—

Black (Michael) (Section: Electricals)

South Crofty (Mines: Tin);

West Bromwich Spring (Engineering).

REDMAN BUY-OUT

Redman Heenan International has sold Swindon-based Redman Engineering, the UK market leader in unitised punching and notching equipment, to a consortium of the company's directors and management team.

NO PROBE

The proposed acquisition by Hanson Trust of United Gas Industries is not to be referred to the Monopolies and Mergers Commission.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year
Adwest	Sept 25	Final 5.4
APV	Sept 22	Interim 2.8
*Babcock Int.	Sept 1	Interim 3.4
*Bank of Scotland	Sept 21	Interim 10
*Barratt Developments	Sept 21	Final 9.85
*BET	Sept 2	Final 5.709
*BICC	Sept 8	Interim 3.33
*BP	Sept 2	Interim 9.25
BTR	Sept 10	Interim 4.25
Barrow Hepburn	Sept 15	Interim 0.8
Baiam	Oct 6	Final 1.5
Bell (A.)	Sept 29	Final 3.168
Bilton (Percy)	Oct 1	Interim 2.5
*Blackwood Hodge	Sept 9	Interim 0.5
Booker McConnel	Sept 17	Interim 1.375
*Bowater	Sept 15	Interim 4.25
Bowthorpe	Oct 1	Interim 1.521
British Aerospace	Sept 15	Interim 3.0
*British Vita	Sept 7	Interim 2.7
Bunzl	Sept 16	Interim 4.5
Burmah	Sept 16	Interim 1.5
*Cadbury Schweppes	Sept 2	Interim 1.3
Cape Inds	Oct 6	Interim 3.9
*Charterhouse Group	Sept 2	Interim 1.925
*Comben	Sept 7	Interim 1.2
Combined Eng Eng Strs	Oct 7	Interim 1.49
Commercial Bank Aust.	Aug 13	Final due
*Cons. Gold Fields	Sept 14	Final 19.00
*Costain	Sept 7	Interim 4.5
*Croda Int	Sept 9	Interim 1.5
*DRG	Sept 22	Interim 3
Debenhams	Oct 9	Interim 2.041
Delta	Sept 18	Interim 1.82
Dunlop	Sept 24	Interim 2
Eagle Star	Sept 19	Interim 7.0
Expamet Int.	Sept 15	Interim 2.0
Fisons	Sept 21	Interim 4
Freemans	Oct 5	Interim 1.9
*GRE	Sept 1	Interim 8.75
GKN	Sept 17	Interim 4.0
Grattan	Oct 1	Interim 1.866
Guinness Peat	Sept 11	Final 1.25
Haden	Sept 24	Interim 2
Hambro Life	Oct 7	Interim 3.5
Harris Queensway	Oct 7	Interim 1.33
Hawley Grp	Aug 26	Interim 1.1
*Hepworth Ceramic	Sept 8	Interim 2.25
Heweden-Stuart	Oct 8	Interim 0.475
Higgs & Hill	Oct 7	Interim 2.5
*House of Fraser	Sept 29	Interim 2.0
*IMI	Sept 7	Interim 2.0
*KCA Int	Sept 9	Interim 2.75
Kleinworth Benson	Sept 22	Interim 3
*Ladbroke	Aug 31	Interim 3.805
Laing (J.)	Sept 29	Interim 1
Laporte	Sept 22	Interim 3.5
*Lead Industs	Sept 9	Interim 3.7
Legal & General Assurance	Sept 18	Interim 4.0
London Mchnt. Securities	Sept 15	Final 0.72
*Marchwiel	Sept 1	Interim 2.4
Menzies (J.)	Sept 22	Interim 1.45
Mills and Allan	Sept 23	Final 15
Minet	Oct 8	Interim 3.01
*Morgan Crucible	Sept 2	Interim 3.5
NEI	Sept 22	Interim 1.375
Nurdin and Peacock	Sept 9	Interim 1.125
*Pearson (S.)	Sept 9	Interim 3.75
*P & O	Sept 8	Interim 3.0
*Phoenix Assurance	Sept 1	Interim 7.3
*Prudential	Sept 8	Interim 4.5
*Ransomes Sims & Jefferies	Sept 16	Interim 3.14
*RMC	Sept 29	Interim 3.7
*Reckitt and Colman	Sept 7	Interim 3.8
*RTZ	Sept 15	Interim 5.5
Rowntree Mackintosh	Sept 24	Interim 2.7
Ruberoid	Oct 8	Interim 1.3
Rugby Portland Cement	Oct 5	Interim 2.35
Scottish Metro Prop.	Oct 7	Final 2.0
Sedgwick	Sept 10	Interim 2.25
*Shell Transport	Sept 8	Interim 8.5
Simon Engineering	Sept 21	Interim 4
Standard and Chartd Bk.	Sept 8	Interim 13.8
Steetley	Sept 17	Interim 4.0
*Sun Alliance	Sept 1	Interim 19.5
Travis and Arnold	Sept 15	Interim due
*Tricentrol	Sept 2	Interim 0.64
*Turner and Newall	Sept 2	Interim due
*United Biscuits	Sept 9	Interim 2.25
United Newspapers	Sept 22	Interim 4.5
UOS	Sept 17	Interim 2.5
Vickers	Oct 1	Interim 4.55
*Weir	Sept 8	Interim 0.1
*Willis Faber	Sept 14	Interim 4.3
*Wimpey (George)	Sept 30	Interim 0.85

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

THE TRING HALL USM INDEX

127.5 (−0.1)

Close of business 27/8/82

Tel: 01-638 1591

BASE DATE 10/11/80 100

LADBROKE INDEX

568-573 (−5)

EUROPEAN OPTIONS EXCHANGE

Series		Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	May Vol.	May Last	Stock
GOLD C	$350	1	66 B	—	—	—	—	$409
GOLD C	$400	101	32	18	45	—	—	"
GOLD C	$425	106	22	15	34	—	—	"
GOLD P	$325	10	3.10	2	7	—	—	"
GOLD P	$350	54	8.10	85	13 A	—	—	"
GOLD P	$375	146	1	—	85	—	—	"
GOLD P	$400	50	3	25	30	5	29	"
GOLD P	$425	32	37	—	—	—	—	"
12¼ NL 81 87-91								
C	F.110	25	4.20	2	4.40	—	—	F.114.56
C	F.112.50	505	2	30	2.80	—	—	"
P	F.115	500	2	—	—	500	3.60	"
10¼ NL 80 86-95								
C	F.97.50	—	—	6	7.10	—	—	F.104.30
C	F.105	200	0.80	—	—	—	—	"
11¼ NL 82 88-92								
C	F.100	22	4.30	5	5.10	—	—	F.104.50
C	F105.50	2	0.20	—	—	—	—	"
		Oct.		Jan.		April		
ABN C	F.240	31	6	—	—	—	—	F.259
ABN C	F.260	3	2	22	2.90 A	—	—	"
ABN P	F.240	—	—	—	—	1	9	"
ABN P	F.260	1	21 B	—	—	—	—	"
AKZO C	F.25	—	—	20	1.80	10	2.30	F.24.90
AKZO C	F.27.50	226	0.20	—	—	275	1.20	"
AKZO C	F.30	65	0.30	—	—	—	—	"
AKZO C	F.32.50	120	0.10	—	—	—	—	"
AKZO P	F.25	5	0.80	—	—	—	—	"
AKZO P	F.27.50	3	2.40	—	—	—	—	"
AMRO C	F.40	—	—	80	1.70 A	—	—	F.38.20
AMRO C	F.50	—	—	10	0.30	—	—	"
AMRO P	F.35	—	—	—	—	20	2	"
AMRO P	F.40	10	2.70	—	—	2	4.50	"
HEIN C	F.60	—	—	10	7	20	8.50	F.65.50
HEIN C	F.65	3	3	12	4.20 A	20	5	"
HEIN C	F.70	—	—	10	2.20	—	—	"
HEIN P	F.55	5	1.50	—	—	—	—	"
HEIN P	F.70	11	5.60	—	—	—	—	"
HOOG C	F.15	110	0.90	17	1.70	1	2	F.15.30
IBM C	$65	5	5⅛	3	6⅛	—	—	$65⅞
IBM C	$70	1	2⅛ B	12	3⅝	—	—	"
KLM C	F.90	25	5	17	5.70	—	—	F.87.80
KLM C	F.100	40	1	—	—	—	—	"
KLM P	F.90	66	4.80	—	—	—	—	"
NEDL C	F.100	19	5	—	—	5	10.50	F.103
NEDL C	F.110	10	1.50	—	—	—	—	"
NEDL P	F.100	35	2.80	—	—	—	—	"
NEDL P	F.110	19	8.40 A	15	10	—	—	"
PETR C	Fr.4500	—	—	3	510	—	—	Fr.4980
PETR C	Fr.5000	—	—	5	210	—	—	"
PHIL C	F.22.50	210	2.60	—	—	—	—	F.24.80
PHIL C	F.25	10	0.60	30	1.20	50	1.60	"
PHIL C	F.27.50	10	0.10	40	0.10	—	—	"
PHIL P	F.22.50	—	—	10	0.50	—	—	"
PHIL P	F.25	—	—	10	1.30	—	—	"
RD C	F.80	15	7A	37	7.50	—	—	F.86.80
RD C	F.90	585	1.10	54	2.50	—	—	"
RD C	F.100	—	—	44	0.80	—	—	"
RD P	F.80	79	0.60	70	1.60	—	—	"
RD P	F.90	77	7.40	72	7.40B	—	—	"
RD P	F.100	5	16.60	10	16.50B	—	—	"
UNIL C	F.140	10	17.20	5	17.30	—	—	F.156.50
UNIL C	F.150	20	7.50	5	8	—	—	"
UNIL C	F.160	23	1.50	10	2.80	10	4	"
UNIL P	F.150	70	1.20	—	—	—	—	"
UNIL P	F.160	21	5.50	5	0.50	—	—	"

TOTAL VOLUME IN CONTRACTS 5,243

A=Asked B=Bid C=Call P=Put

BASE LENDING RATES

A.B.N. Bank	11 %	Grindlays Bank	‡10½%
Allied Irish Bank	11 %	■ Guinness Mahon	10½%
Amro Bank	10½%	■ Hambros Bank	11 %
Henry Ansbacher	11 %	Hargrave Secs. Ltd.	a10½%
Arbuthnot Latham	11 %	Heritable & Gen. Trust	11 %
Associates Cap. Corp.	12 %	■ Hill Samuel	§11 %
Banco de Bilbao	11 %	C. Hoare & Co.	†11 %
BCCI	11 %	Hongkong & Shanghai	10½%
Bank Hapoalim BM	11 %	Kingsnorth Trust Ltd.	12 %
Bank of Ireland	a10½%	Knowsley & Co. Ltd.	11½%
Bank Leumi (UK) plc	11 %	Lloyds Bank	a10½%
Bank of Cyprus	11 %	Mallinhall Limited	10½%
Bank Street Sec. Ltd.	12 %	Edward Manson & Co.	12 %
Bank of N.S.W.	11 %	Midland Bank	a10½%
Banque Belge Ltd.	11 %	■ Samuel Montagu	11 %
Banque du Rhone	11½%	■ Morgan Grenfell	a10½%
Barclays Bank	11 %	National Westminster	10½%
Beneficial Trust Ltd.	12 %	Norwich General Trust	10½%
Bremar Holdings Ltd.	12 %	P. S. Refson & Co.	11 %
Brit. Bank of Mid. East	10½%	Roxburghe Guarantee	11½%
■ Brown Shipley	11 %	Slavenburg's Bank	11 %
Canada Perm't Trust	11½%	Standard Chartered	10½%
Castle Court Trust Ltd.	11 %	Trade Dev. Bank	11 %
Cavendish G'ty T'st Ltd.	12 %	Trustee Savings Bank	a10½%
Cayzer Ltd.	11 %	TCB	11 %
Cedar Holdings	11 %	United Bank of Kuwait	11 %
■ Charterhouse Japhet	11 %	Volkskas Intl. Ltd.	10½%
Choulartons	12 %	Whiteaway Laidlaw	11½%
Citibank Savings	¶11 %	Williams & Glyn's	10½%
Clydesdale Bank	11 %	Wintrust Secs. Ltd.	11 %
C. E. Coates	12 %	Yorkshire Bank	a10½%
Comm. Bk. of N. East	11 %		
Consolidated Credits	11½%		
Co-operative Bank	*11 %		
Corinthian Secs.	11 %		
The Cyprus Popular Bk.	11 %		
Duncan Lawrie	11 %		
Eagil Trust	10½%		
E.T. Trust	11 %		
Exeter Trust Ltd.	12 %		
First Nat. Fin. Corp.	14½%		
First Nat. Secs. Ltd.	14 %		
Robert Fraser	12½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 8%, 1 month 8.25%. Short-term £8,000/12 months 10.6%.
† 7-day deposits on sums of: under £10,000 8%, £10,000 up to £50,000 8¾%, £50,000 and over 9¼%.
‡ Call deposits £1,000 and over 7¾%.
‖ 21-day deposits over £1,000 8¾%.
§ Demand deposits 8%.
¶ Mortgage base rate.
a Effective from close of business on 31 August 1982.

هكذا من الكمل

هكذا من الكحل

UK COMPANY NEWS

Invest. Trust of Guernsey improvement

Net revenue of the Investment Trust of Guernsey advanced from £239,000 to £318,000 for the first half of 1982, but the board does not expect that this rate of increase will be maintained for the second six months. Net revenue for the whole of 1981 totalled £614,000.

The interim dividend is being raised from an equivalent 1.8p to 2.1p gross per 50p share and shareholders will also be given the right to elect to receive new shares in lieu of the net cash dividend.

Net asset value per share at June 30, 1982, was 112p, as against 113p six months earlier. The market value of investments came to £13.7m (£14.28m) and cash on short term deposit increased from £0.64m to £1.3m.

MORGAN CRUCIBLE

At separate meetings of the holders of the 5¾ per cent irredeemable unsecured loan stock and the 6¼ irredeemable unsecured loan stock of Morgan Crucible, passed extraordinary resolutions approving the terms of the repayment of each of the stocks.

Accordingly the proposals for the repayment of £61 per cent of the 5¾ per cent stock and £68 per cent of the 6¼ per cent stock have become unconditional.

SUPRA GROUP LAND PURCHASE

Supra Group has purchased from Auchard Development 1.75 acres of freehold land in Southam, near Leamington Spa, for £70,000.

The land, on which planning permission has been granted, is adjacent to an existing Supra freehold property occupied by a subsidiary, Supra Automotive.

The consideration has been satisfied by the issue of 233,334 ordinary shares of Supra at 30p each and credited to the vendor as fully paid.

Exchange of RIT and Hume debenture stocks approved

At meetings held yesterday the holders of RIT debenture stocks and of Hume Investment Trust Company debenture stocks approved and sanctioned the proposals for the exchange of new debenture stocks of RIT and Northern for the existing debenture stocks of RIT and of Hume.

Dealings in the new debenture stocks of RIT and Northern issued in exchange for listed RIT debenture stocks and Hume debenture stocks are expected to commence on August 31 for deferred settlement on September 21.

In order to simplify the borrowing structure of the enlarged group and to facilitate transfer of assets by RIT to RIT and Northern, Law Debenture Corporation, trustee for the holders of the J. Rothschild Investment Holdings (JRI) 14.25 per cent Guaranteed bonds due 1990, has, at the request of JRI, the guarantor (RIT) and RIT and Northern, concurred in a modification of the trust deed.

The modification involves:

(a) Giving of a guarantee in respect of the bonds of RIT and Northern in addition to, but (immediately prior to any members voluntary winding up of the guarantor) in substitution for the release of, the guarantee in respect of the bonds given by the guarantor;

(b) An increase in the annual rate of interest on the bonds of 1-4 per cent as from August 15, 1982;

(c) The introduction of a prohibition on the disposal (without the consent of the trustee) of assets by RIT and Northern and its subsidiaries to any holding company of RIT and Northern.

Hanson Trust's £1.8m sale

Continuing its policy of concentrating resources on its main battery activities, Hanson Trust's British Ever Ready division announces the sale of its 84 per cent interest in A/S Skaland Grafitverk, the Norwegian mining subsidiary, and its Advanced Projects Group (APG), at Abingdon, Oxfordshire.

Skaland, which is being sold to Arco Graphite Inc for £1.2m, has borrowings of £1.4m and incurred a loss of £87,000 for the year ended February 1982 on net assets of £500,000.

The existing trading relationship between British Ever Ready and Skaland for the purchase and factoring of graphite are being maintained, directors state.

A consortium comprising institutional investors and senior executives of APG have formed a new company, Venture Technology, to purchase the assets of APG for £585,000 and to take over the lease of the premises.

RESULTS AND ACCOUNTS IN BRIEF

PITMAN (publisher, printer, college proprietor)—Results for year to March 31 1982 already known. Shareholders' funds £10.24m (£10.81m); fixed assets £8.18m (£10.82m); net current assets £4.88m (£2.83m), including loans and overdrafts £5.71m (£4.69m); medium and long-term liabilities £4.69m (£4.04m), including bank loans £3.51m (£2.82m); increase in working capital £2.15m (£1.97m decrease). Compensation for loss of office £76,000. Meeting: Southampton Place, WC, September 20, noon.

OIL AND ASSOCIATED INVESTMENT TRUST—Net asset value per share at June 30, 1982, 98p (106p).

STONEHILL HOLDINGS (domestic furniture maker)—Results for the 53 weeks to April 4 1982 reported June 27. Shareholders' funds £4.92m (£5.03m). Fixed assets £2.67m (£2.78m). Current assets £5.92m (£6.61m), including bank balances and short term deposits £342,861 (£1.33m). Net current assets £2.25m (£2.24m). Retirement benefits of £17,231 paid to former director. Meeting: Churchill Hotel, W, September 23, 11.30 am.

Arlington Motor stays on same course

Management accounts showed that trading results of Arlington Motor Holdings were continuing on the same course as indicated in the recent chairman's statement, members were told at the annual meeting.

Last month, Mr N. C. N. Housden, the chairman, said he was encouraged by management accounts that showed the group to have been trading profitably this year, with trading results well ahead of those for the corresponding period of 1981.

For the year ended March 31, 1982, Arlington made a loss before tax of £90,000 (£94,000 profit) on marginally higher turnover of £55.9m (££.7m). The group is principally engaged as a motor dealer.

NORWEST HOLST HOLDINGS

Norwest Holst Holdings is to redeem all outstanding preference shares on November 30 1982 at par, together with the accrued dividend.

In addition to the half year dividend of 5.875p net payable on September 30 1982 and to the principal monies payable on redemption, holders will thus receive on redemption, the dividend accruing from October 1 through to November 30 1982 of 1.9637p net.

RENWICKS BUYS PHOENICIA TRAVEL

Renwicks Travel, a subsidiary of the Renwick Group, has agreed to purchase the capital of Phoenicia Travel and its subsidiary, Travellers Joy Travel Service, which operate 10 travel agencies in Avon and Somerset.

The consideration payable is £410,000, of which £310,000 is payable on completion on September 30, 1982, and the balance on June 30, 1983.

The net tangible assets of Phoenicia and Travellers Joy are valued at £50,000 and profits for the year to September 30, 1981 were £13,700.

Sceptre Resources C$978,000 in loss

IN THE first half of 1982 Sceptre Resources — whose operations were combined with the Canadian activities of Francana Oil and Gas on May 14 1982 — increased revenue by 93 per cent from C$4.14m to C$7.96m. The results reflect the combined entities after acquisition.

Cash flow from operations declined approximately 7 per cent to $2.62m (22 cents per share) from $2.82m (33 cents per share).

However, the operations produced losses of $978,000 compared to earnings of $9,000. After deductions for dividends paid on outstanding convertible preferred shares, losses per share emerged at 17 cents compared with 12 cents.

Capital spending during the period amounted to $21.1m. Approximately 50 per cent of this was made in the U.S., 28 per cent in Abu Dhabi, UAE and 14 per cent in Canada.

During the six months, Sceptre participated in a total of 68 gross wells—49 in Canada, 17 in the U.S. and two overseas—resulting in 18 oil or potential oil wells, 22 natural gas wells and 28 dry, abandoned or suspended wells.

Primarily, as a result of the Francana acquisition, Sceptre's natural gas production for 1982 increased 130 per cent to 12.7m cu ft a day and crude oil production increased by more than 500 per cent to 790 barrels a day.

On a pro forma basis with Francana, Sceptre's gross proven and probable oil and gas reserves are estimated by independent engineering consultants to be in excess of 22m barrels of oil and approximately 309bn cu ft of natural gas.

For 1983, when Sceptre will experience the full impact of the Francana acquisition, production rates, based on present reserves as projected in the independent consultants' reports are estimated to be 3,000 barrels per day of oil and 44m cu ft per day of natural gas.

Additionally, the company has available reserve capacity to significantly increase production above those levels in the event of an improvement in demand for Western Canadian crude oil or an improvement in natural gas export and domestic markets, the company says.

It has announced the intention to sell its investment in Candecca Resources, which has a current market value to Sceptre of over $50m.

Current activity in Canada includes an active programme of drilling for oil in Alberta and Saskatchewan. Sceptre is encouraged by recent measures introduced by the Federal and both provincial governments. In addition the company is drilling a variety of wells in natural gas-prone regions where contracts are available.

In the U.S., Sceptre reports recent significant drilling success in the Williston Basin, Wyoming and in the Gulf Coast region. Sceptre is presently participating as to a 4 per cent working interest, in a significant Prairie du Chien test in Missaukee county, Michigan.

The well, Patrick Gilde 1-25 is a direct offset to the Dart Edwards 7-36 well which was completed in the Prairie du Chien in 1981 and tested at 12.3m cu ft a day. Results are expected in September 1982.

Internationally, Sceptre is participating, as to a 5 per cent interest, in a well on Block J/5 in the German sector of the North Sea.

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. date	1982 High	1982 Low	Stock	Closing price p	+ or −	Div. p. or amount	Times Covered	Gross Yield	P.E. Ratio
¶¶	F.P.	—	45	38	✻Anglo-Nordic 5p	38	......	b0.89	2.0	3.3	21.4
¶¶	F.P.	—	82½	76	Antofagasta Hldgs £1	75	......	7.0	3.6	13.3	2.3
¶¶	—	30/7	20	11	Argyll Foods Warr'ts.	19	......	—	—	—	—
§45	F.P.	—	46	34	Atlantis Res. Int.	38	......	—	—	—	—
—	F.P.	—	24	24	Beradin Holdings 5p	23	......	0.65	1.3	4.0	24.7
‖	F.P.	—	8	7½	✻Berkeley H.H. Inv 10p	7½	......	—	—	—	—
55	F.P.	7/9	78	44	✻Bio-Isolates 10p	68	−2	—	—	—	—
§35	F.P.	10/9	45	36	✻Coleman Milne 10p	42	−3	u1.5	3.2	5.1	6.8
¶¶	F.P.	—	31	29	✻Delmer Group	29	......	u1.68	2.4	8.3	7.2
—	F.P.	29/11	106	96	✻Ecobric New Ord £1	96	......	bd10.5	1.8	15.6	4.3
—	F.P.	—	65	57	✻ Do. Defd	60	......	—	—	—	—
80	F.P.	24/9	68	48	✻Hadson Pet. Int. 5p	54	+4	—	—	—	—
§110	F.P.	17/9	182	159	✻Int'europeTech. 20p	161	......	u4.0	1.8	3.5	22.5
§60	F.P.	6/8	60	48	✻Knight Cmptr Int 5p	56	......	bd1.6	2.0	4.1	17.8
§137	F.P.	30/7	197	150	✻McCarthy & Stone	195	......	b5.76	2.7	4.2	11.8
375	F.P.	—	388	368	Mercantile Hse. New	388	+11	14.0	2.2	5.2	18.1
¶120	F.P.	27/8	175	155	Multitone Elect.	176	+8	u2.52	3.4	2.1	15.6
¶¶	F.P.	24/9	179	170	Pactrol Electronics	180	+1	F3.5	—	2.8	—
—	F.P.	—	26	20	RIT & Northern War'ts	24	......	—	—	—	—
¶¶	F.P.	—	38½	30	Rowe Evans Inv. 10p	30	......	—	—	—	15.8
‖	F.P.	—	13	11	✻Sheraton Secs 10p	11	......	—	—	—	—
¶¶	F.P.	—	44	37	Walker (Alfred) 10p	39	......	b0.75	5.3	2.8	7.3
—	F.P.	—	35	26	✻Yelverton Invs. 5p	29	......	—	—	—	—

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1982 High	1982 Low	Stock	Closing price £	+ or −
¶¶	F.P.	—	60p	52p	Antofagasta 3.5% Pref. (£1)	55p	......
99.528	£20	—	29¾	21¼	Australia 13½% Ln. 2010	28¾	−¼
‖100	F.P.	29/7	100⅛	95	Cronite 14% Cnv. Uns. Ln. '89	100	......
100	£20	—	21	20¼	Electricite de France 12% Ln. 2008	21	......
100	F.P.	—	100⅝	99½	Nationwide Bdg. Soc. 11⅝% (15.8.83)	100½	......
100	F.P.	—	100¼	100⅛	Do. Do. 11¼% (30/8/83)	100¼	......
99.345	£25	—	34¾	24½	New Zealand 14¼% 1987	33	−½
100	F.P.	9/9	108½	100	Portsmouth Water 14% Red. Deb. '92	107½	......
‖R£1	F.P.	3/9	82	82	Smurfit (Jefferson) Pref. Units 2p	82	......
¶100	£10	17/11	15⅛	13⅛	West Kent Water 8¼% Red. Pref. 87-89	15	−½

"RIGHTS" OFFERS

Issue price p	Amount paid up	Latest Renunc. date ●	Latest Renunc. date ■	1982 High	1982 Low	Stock	Closing price p	+ or −
180	F.P.	18/8	22/10	247	224	Automated Security 10p	245	+3
100	F.P.	—	—	140	120	✻Berkeley Exploration £1	126	+3
103	F.P.	6/8	17/9	122	117	Blundell-Permoglaze	121	......
400	Nil	—	—	107pm	88pm	Eurotherm Int. 10p	103pm	−4
78	F.P.	2/8	17/9	84	80	Goal Pet. 5p	84	......
26	F.P.	26/7	3/9	25½	21	Jenks & Cattell	21	......
78	F.P.	—	—	182	170	Pactrol Electronics	180	−2

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. d Dividend rate paid or payable on part of capital: cover based on dividend on full capital. g Assumed dividend and yield. r Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. ● Figures or report awaited. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ✻ With warrants. †† Dealings under special Rule. ✻ Unlisted Securities Market. ‡‡ London Listing. ‡ Effective issue price after scrip. † Formerly dealt in under Rule 163(2)(a). ‡‡ Unit comprising five ordinary and three Cap. shares. Δ Issued free as an entitlement to ordinary holders.

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
5Jul	5Ja	Exch. 8¼pc 1983	99½	1.6	8.79	10.00
21Aug	21F	Exch. 3pc 1983	97⅛	15.4	3.09	9.27
17S	17Mar	Treasury 12pc 1983‡‡	101¾xd	11.4	11.84	9.48
18Ja	18Jul	Treasury 9½pc '83	99⅝	11.6	9.29	
22May	22N	Exch. 13½pc '83	103⅝	15.4	13.03	10.17
12Jun	12D	Exch. 10pc 1983	100	6.5	10.00	9.94
15Jul	15Ja	Funding 5½pc '82-84‡‡	95¼	8.6	5.77	9.21
20Aug	20F	Exch. 11¼pc 1984	101½	14.7	11.06	9.90
22N	22May	Exchequer 14pc. 1984	104⅞	15.4	13.35	10.84
19D	19Jun	Exch. 3pc 1984	92½	13.5	3.28	8.15
26Mar	26S	Treasury 12pc 1984	102⅞xd	30.8	11.66	10.52
22Aug	22F	Treasury 15pc 1985	108¾	17.7	13.75	10.85
22S	22Mar	Exch. 12pc Cnv. '85	104⅝xd	15.4	11.47	9.72
21N	21My	Treasury 3pc 1985	87½	15.4	3.43	8.21
15Jan	15Jul	Treasury 11½pc 1985	102	8.3	11.27	10.55
22May	22N	Exch. 12¼pc 1985	103½	15.4	11.84	10.88
25 Aug.	25F	Exch. 11¼pc '86	102⅞	14.7	11.43	10.63
19N	19May	Treasury 3pc 1986	84½	13.4	3.55	7.97
12D	12Jun	Treasury 12pc '86	103	6.5	11.65	10.96
10Ja	10Jul	Treasury 8½pc '84-86‡‡	9[illegible]	3.6	8.85	9.75
14Ja	14Jn	Treas. 12¼pc '86 Cnv.	106⅞	—	11.49	10.12
29Apr	29Oct	Exch. 14pc 1986	110	—	12.73	10.92
22Jul	22Jan	Exch. 13¼pc 1987	108	15.6	12.27	10.89
—		Exch 10½pc '87 (£40pd).	40⅞	—	10.54	10.60
1N	1May	Funding 6½pc '85-87‡‡	89	0.8	7.30	9.46
14Ja.	14Jul	Treasury 3pc 1987	81¼	—	3.67	7.55

Five to Fifteen Years

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
3 May	3N	Treas. 12pc 1987	106¼	29.3	11.67	11.24
[illegible]						

Over Fifteen Years

Undated

Index-Linked & Variable Rate

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

LOANS

Public Board and Ind.

LOANS—Continued

Financial

Building Societies

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

BANKS AND HIRE PURCHASE

BANKS & H.P.—Cont.

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

CHEMICALS, PLASTICS—Cont.

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS—Continued

ENGINEERING MACHINE TOOLS

FOOD, GROCERIES, ETC.

FOOD, GROCERIES—Cont.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

U.S. BONDS

Euphoria fades as Fed funds tighten

THE RECENT rally in the credit markets has come to an abrupt halt, at least temporarily.

The euphoria with which the markets embraced the sharp decline in short-term interest rates has faded fast. Even the discount rate cut last Thursday was fully discounted ahead of the announcement.

The bond market, which had lacked life all week, ended Friday on a sour note as short-term interest rates climbed by up to 60 basis points and the Fed funds rate traded at around ten per cent — significantly higher than its level in recent weeks.

The flood of new corporate paper dried up as company treasurers sensed a change in the tone of the market and on Friday prices of government securities plunged.

The overwhelming view in the markets is that the Fed has decided that the decline in interest rates has gone far enough—at least for the present. That view was given added strength by Dr Henry Kaufman, the Salomon Brothers economist, who said on Friday that the Fed Funds rate may stop falling or even rise in the short term producing a short-term price setback in the capital markets.

The $1.4bn increase in the money supply announced on Friday was more than the markets had expected and pushed M1 within $300m of the top end of the Fed's target range. At the same time the credit markets have been given a nasty reminder of the Federal government's borrowing needs to fund its bulging budget deficit.

Beginning today the Treasury plans a series of rapid-fire auctions. First it plans to auction a total of $11bn in three, and six-month notes: tomorrow will see $4½bn in five-year notes; on Wednesday it will auction $4½bn of 13-day cash management bills; and on Thursday a further $7bn in one-year bills.

The onslaught adds up to another test of the markets' digestive systems and may well crowd out already cautious corporate borrowers. Last week only $1.1bn of new corporate issues were brought to the market compared with almost $3bn during the previous week's bull rally.

On a brighter note the credit markets have warmly embraced two new pets—Tigrs, or tigers as the media insist upon calling them, and CATS. Tigrs (Treasury Income Growth Receipts) and CATS (Certificates of Account on Treasury Securities) are two new forms of the old game of coupon stripping—separating the coupon from a bond and selling the two as deeply discounted zero-coupon securities.

In the past three weeks Tigrs and CATS with a face value of almost $7bn has been launched and, it is claimed by their proponents, have been snapped up mostly by institutional investors.

The idea behind the Tigr and Tigr look-alikes is that the investment firm buys Government securities, places them in a bank on trust and then sells receipts against both the principal and against the interest paid out by the Treasury. There are two forms of Tigrs, callable Tigrs which represent claims against the principal portion of the bond, and serial Tigrs which represent claims against the interest paid by the Treasury on the bonds.

The serial Tigr does not pay any regular interest. Instead the investor buys the receipt at a sizeable discount and receives a single lump sum payment representing compounded interest payments when the Tigr matures.

The investment firms selling Tigrs like the issues because they can earn a handsome profit on the difference in the cost of the Treasury securities and the price they can get for the receipts. The Treasury is kept happy because they increase the demand for its notes.

Two major uncertainties persist however. First is the question of how the issues will fare if interest rates do indeed stabilise or start to harden. The second is whether a lively secondary market will develop for the receipts.

Paul Taylor

U.S. INTEREST RATES (%)

	Week to Aug. 27	Week to Aug. 20
Fed. Funds wkly. av.	5.44	8.33
3-month Treas. bills	5.98	7.24
3-month cd	9.85	9.55
30-year Treas. bonds	12.23	12.25
AAA utility	14.38	14.25
AA industrial	13.79	13.75

Source: Salomon Bros. (estimates). In the week to August 18, M-1 rose US$1.4bn to $453.3bn.

Barclays South Africa to move into home mortgages

BY BERNARD SIMON IN JOHANNESBURG

BARCLAYS National Bank, South Africa's largest banking group, has become the country's first bank to offer home mortgages in direct competition with building societies. Barclays is 58 per cent owned by Barclays Bank International of the UK.

The bank's move is an important escalation of the increasingly fierce competition between banks and building societies. It comes in the wake of a sharp drop in the societies' mortgage advances as a result of their difficulty in attracting deposits.

Mr Ron Hayward, Barclays' divisional general manager in charge of marketing, said that "we saw a desperate need in the market place for these funds." It is estimated that Barclays is prepared to commit as much as R500m to home finance, about the same as the 11 building societies advanced in the three months to June.

Barclays' mortgages will carry interest rates of between 17 per cent and 19 per cent, about 2 per cent higher than building society rates, which are subsidised by the societies' ability to offer tax-free investments at relatively low cost.

Nonetheless, the new home loans will be available at a cost well below prime overdraft rate, currently 20 per cent. Barclays is also offering larger amounts and longer repayment periods than the societies.

Building society officials said the move may force them to raise deposit rates to attract more funds and protect their near-monopoly of the home finance market but this would result in higher mortgage rates.

Woolworths bid withdrawal row

BY MICHAEL THOMPSON-NOEL IN SYDNEY

WOOLWORTHS OF Australia, which on Friday made a surprise withdrawal from its A$186m (U.S.$182.3m) offer for rival retailer, Grace Brothers Holdings, is to make an announcement to Australian stock markets this morning.

This follows separate meetings between Woolworths and Grace Brothers with the National Companies and Securities Commission in Melbourne yesterday to clarify the legal position affecting Woolworths' withdrawal.

Woolworths withdrew after Grace Brothers announced a 24.8 per cent fall in profits for the year to July 31, to A$13.87m. Mr Michael Grace, chairman of Grace Brothers, described Woolworths' manoeuvre as "unbelievable."

Woolworths said: "The extent of the Grace Brothers' downturn would make it exceptionally difficult for the merger companies to quickly bring about the operating and financial benefits on which the bid was structured."

The withdrawal came only hours after the bid had been accepted by a clutch of heavyweight shareholders. These were Savona, backed by the Singaporean hotelier and developer, Tan Sri Khoo Teck Puat, Bond Corporation, the Adelaide Steamship Group, and the Grace family interests — each with about 20 per cent.

Woolworths itself already controlled almost 7.3 per cent of Grace Brothers' capital and its action has roused bitter controversy.

Boliden slips into the red at midway

By William Dullforce in Stockholm

BOLIDEN, the Swedish metals and chemicals group, reports a first half pre-tax loss of SKr 112m ($18.2m) against the SKr 125m profit earned in the first six months of last year. The earnings plunge is attributed to the sharp fall in income from metals trading, a lower return from transport operations and a powerful surge in costs.

Turnover declined by SKr 496m to SKr 2.29bn but the sales figure for the first half of 1981 included SKr 552m from Supra, the fertiliser company which has since been sold to Norsk Hydro. An unspecified extraordinary income of SKr 37m reduces the half-year loss to SKr 75m.

Boliden has revised downwards its 1982 earnings forecast for the second time this year. It now expects to make a pre-tax profit, including extraordinary items, of SKr 40m in the year as a whole. This compares with the SKr 303m recorded last year and SKr 430m in 1980.

The anticipated profit slump is blamed on low metal prices, higher production costs and increased financial charges.

Sime Darby profits dip but payout held

BY WONG SULONG IN KUALA LUMPUR

SIME DARBY, Malaysia's biggest non-oil company, reports reduced profits for the year ended June 1982 but is to maintain its dividend.

Net profit after tax and minority interests, was 92.6m ringgit, representing a decline of 25 per cent. Turnover rose 3 per cent to 2.73bn ringgit.

The group had extraordinary profits of 4m ringgit, compared with 167m ringgit last year when it sold its investments in Highlands and Lowlands, Guthrie Corporation and Amoy Canning.

Half-way through 1981-82, Sime's pre-tax and net profit were 103m and 41.4m ringgit respectively, representing declines of 17 and 39 per cent. The improvement in the second half came from better performances at the Tractors and Western divisions, and tighter control of costs.

Robert Bradford, the Western division insurance business, which incurred substantial losses, together with Guy Butler, a money broking firm, were sold in June. An extraordinary loss of 11.9m ringgit was incurred, in addition to a provision of 29.4m ringgit, taken against reserves, for run-off costs.

Sime is to pay a final dividend of 8.5 cents, making an unchanged 10.5 cents for the year after adjustment for a one-for-four scrip issue.

However, final dividends at Consolidated Plantations and Tractors Malaysia were cut, reducing payments to 14.3 and 30 cents respectively for the year. Last year's payouts were 18 and 37.5 cents respectively.

Sasol raises earnings

BY OUR JOHANNESBURG CORRESPONDENT

SASOL, the South African oil-from-coal producer, reports pre-tax profit 23.4 per cent ahead at R347.8m ($306m) for the year ended June, 1982.

The Sasol Two synfuels project came on stream in the first half of the financial year while the third phase of the project, Sasol 3, is scheduled to start producing liquid fuels shortly.

Sasol 2 was brought on stream within its original budget of R2.5bn and Sasol 3 is expected to be completed within its budgeted capital cost of R3.3bn.

A total dividend of 24 cents has been declared from earnings of 53.2 cents a share. For 1980-1981 earnings were 44.4 cents a share from which a total dividend of 20 cents was paid.

INTERNATIONAL APPOINTMENTS

New directors for Chase Manhattan

● Mr Philip Caldwell and Mr Ralph E. Ward have been elected to the board of THE CHASE MANHATTAN CORPORATION adn THE CHASE MANHATTAN BANK, N.A., from September 1. Mr Caldwell is chairman of the board and chief executive officer of Ford Motor Company, Dearborn, Michigan. Mr Ward is chairman of the board, president and chief executive officer of Chesebrough-Pond's Inc., Greenwich, Connecticut.

● Mr Terry S. Boyce has been elected vice president—human resources of ROCKEFELLER CENTER, INC. Mr Boyce was vice president—human resources for AM International, Inc.

● Mr William H. Boyle has been named vice-president of financial marketing for the FEDERAL HOME LOAN MORTGAGE CORPORATION (THE MORTGAGE CORPORATION). Mr Richard A. Reed has been named vice-president of mortgage marketing. Mr Reed was formerly director of mortgage programmes.

● NATOMAS COMPANY has appointed Mr Bill Moffat senior vice-president for Natomas North America. He will oversee accounting, control, sytems, long-range planning and oil and gas marketing for the Natomas petroleum subsidiary based in Houston. Mr Moffat joined Natomas as director of strategic planning in the company's corporate development division, and was named vice-president of the division in December 1979. Mr Thomas B. Neville has been name vice-president for corporate development. Mr Neville joined Natomas as director of strategic planing in the corporate development department.

● Mr John Strasser has succeeded Dr Hans A. Siegfried as board chairman of the Swiss chemical company SIEGFRIED AG, Zofingen.

● Mr Robert A. Hanson, president, has been elected chief executive officer of DEERE & COMPANY. He succeeds Mr William A. Hewitt, who has been nominated as U.S. Ambassador to Jamaica. Mr Hewitt will remain as chairman of Deere & Company until he is sworn in as Ambassador.

● Dr Dennis H. Eastland has joined PROCON INTERNATIONAL INC. in Des Plaines, IL, as deputy director of marketing—Far East.

● PETROLANE INC. has elected Mr B. Bruce Baldridge, executive vice-president, to its board of directors.

● M.I.M. HOLDINGS has appointed Mr Roger Marshall executive general manager—coal. He will join the boards of Collinsville Coal Company Pty, Newlands Coal Pty, Oaky Creek Coal Pty and Abbot Point Bulk-coal Pty. Mr Marshall is general manager—coal for B.P. Australia.

● Mr W. J. Benson has been elected a director of NATIONAL BANK OF NORTH AMERICA.

Mr W. J. Benson.

He is group chief executive and a director of National Westminster Bank, NBNA's parent bank.

● SONY CORP. of America has appointed Mr G. A. Schupp, vice-president of Zenith Radio Corp., as director of its research laboratory in New Jersey.

● Mr Werner K. Rey, proprietor of Schweizerische Metallwerke Selve Holding AG, Thun, has joined the board of ATELIERS DE CONSTRUCTIONS MECANIQUES, Vevey. Mr Rey recently became the major shareholder of the company.

● CANADIAN AMERICAN BANK has appointed Mr Henri de Crouy-Chanel its managing director and chief executive officer. He replaces Mr Jackson L. Schutte who takes up a new appointment at Northwest Bancorporation, the parent of Canadian American Bank. Mr de Crouy-Chanel has been managing director of the Luxembourg office since 1979. He plans to maintain his headquarters in Luxembourg. The representative office in London will be directed by Mr Charles E. Meech, managing director, who has been in London since 1974 and with the parent since 1966.

● The M. W. KELLOGG COMPANY and RUST INTERNATIONAL CORP. both members of the Kellogg Rust organisation, have made several changes: Mr David R. Rozendale has been named executive vice-president and chief operating officer of Kellogg Rust, transferring to Houston from Birmingham, where he had been president of Rust International Corp. Mr Rodney C. Gilbert has been appointed president of Rust. Mr Donald C. Vaughn has replaced Mr Gilbert as executive vice-president of Rust. Mr Gary D. Jones has been named president of M. W. Kellogg Constructors but remains president of Rust Engineering Company. Mr Frank H. Shipman, Jr, chairman of Kellogg Rust and of The M. W. Kellogg Company, has assumed responsibility for all sales operations of the worldwide Kellogg group of design, engineering and construction management companies.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aetna Life 15 86/97	150	106	105½	−0⅛	+0⅛	13.02
Amex Int. Fin. 16⅞ 92	75	102¼	102¾	+0⅛	−2⅛	15.67
Amex O/S Fin. 14⅛ 89	75	100	100½	−0⅛	0	14.14
ATT 14⅛ 89	400	105	105½	−0⅛	−0⅛	12.96
Baker Int. Fin. 0.0 92	225	28⅞	28⅞	+0⅛	+0⅛	14.08
BHP Finance 14⅛ 89	150	100½	101¼	+0⅛	[illegible]	14.46
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
EIB 8¾ 92	[illegible]	[illegible]	[illegible]	[illegible]	0	8.57
Int.-Amer. Dev. 8⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]	0⅛	8.64
Japan Airlines 7⅞ 87	[illegible]	[illegible]	[illegible]	[illegible]	0⅞	8.83
New Zealand 8⅞ 87	[illegible]	[illegible]	[illegible]	[illegible]	0⅛	8.36
World Bank 8⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]	0⅞	8.48

Average price changes... On day −0⅛ on week +0⅛

OTHER STRAIGHTS | FLOATING RATE NOTES | DEUTSCHE MARK STRAIGHTS | SWISS FRANC STRAIGHTS | CONVERTIBLE BONDS: [illegible]

EUROBOND TURNOVER
(nominal value in $m)

	Cedel	Euro-clear
U.S. $ bonds		
Last week	6,360.4	13,579.4
Previous week	5,636.8†	9,920.8
Other bonds		
Last week	809.5	390.0
Previous week	748.3†	632.7

† Four working days only.

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price: the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn = The current coupon. C.yld = The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bank of Tokyo International; Bankers Trust International; Chase Manhattan; Citicorp International Bank; Credit Commercial de France (Securities) London; Daiwa Europe NV; Deltec Securities (UK); EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch; Morgan Stanley International; Nomura International; Orion Royal Bank; Robert Fleming and Co.; Samuel Montagu and Co.; Scandinavian Bank; Societe Generale Strauss Turnbull; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on August 27

هكذا من الأصل

BUILDING AND CIVIL ENGINEERING

Approval for KWU 'convoy concept'

KRAFTWERK UNION AG (KWU), West Germany's leading nuclear power plant designer and builder, has finally received a green light for its streamlined nuclear plant planning procedure, the "convoy-concept," which allows for the design and building of a series of stations based on the same basic plan.

Until now all West German nuclear power stations have been built on a one-off basis to meet the specific safety requirements of the individual site and the level of technology available at the time of its conception. Moreover, the original designs have been subject to change throughout the construction period in order to incorporate the latest advances in safety and operating technology.

This has generated significant time delaya and escalated construction costs. It has also made it virtually impossible for the nuclear construction industry to standardise its technology and led to an explosion in planning documentation.

In 1974, for example, the Biblis nuclear power station needed 2,000 planning and design documents. However, the Grafenrheinfeld nuclear power station, commissioned this year, needed 15,000.

To overcome these problems KWU proposed a standardised construction programme whereby a series of nuclear power stations could he built over a limited time scale to the same basic design.

Thia it was argued, would enable more rapid approval by the relevant licensing authorities and enable the designers and constructors to produce more rational, standardised designs and work practices. The result would be faster construction time and cheaper construction costs.

KWU presented it convoy-concept to West Germany's Federal and State authorities for the construction of a series of six nuclear power stations and approval was expected in February of this year with construction of the first reactor at Biblis starting in the spring.

But stiff opposition from environmental groups and some parts of government delayed final approval until this month.

As a result sita preparation work has now begun on the first convoy nuclear power station—a DM 5.4bn (£1.25m) 1,350 MW pressurised water reactor at Ohu near Landshut. Known as Isar 2, it is planned to come on stream in 1988.

Approval has also been given for a second convoy station at Emsland where work is to begin shortly. Approval for two other stations in the series, at Neckar-Westheim and Biblis, are anticipated later this year.

The leading project developer in the Isar 2 station, at 40 per cent, is Bayernwerk AG and a further 10 per cent is taken by its subsidiary Energieversorgung Ostbayern AG. The remainder is split equally between Isar-Amperwerke and Stadtwerke Munchen.

On the construction side, accounting for 20 per cent of the total project, the leading contractor is Dyckerhoff & Widmann. Other contractors are Hochtief AG, Heitkamp GmbH and Bilfinger + Berger Bau-AG.

Although the convoy concept was developed mainly to meet a West German need, KWU is hopeful that the experience will help it gain foreign contracts when the world market for nuclear power picks up again.

According to a KWU spokesman West German nuclear power stations offer a 10 per cent greater availability than either U.S. or French built plants, but that KWU cannot compete with these countries on the basis of price. Lessons learned from the development of the convoy concept, which is largely based on the French system of standardised nuclear plant construction, could help KWU to trim its costs on foreign contracts without cutting corners.

TOM SEALY

OVERSEAS CONTRACT

BALFOURS has signed a contract in association with Saudi Arabian consultants Dar Al Riyadh to study and update sewerage and stormwater designs for the city of Tabuk.

Previous design work carried out by others in the mid-1970s is to be revised and updated to cater for increased population densities and water use. The consultants are to prepare fresh designs for additional development areas on the city outskirts.

The sewerage treatment facilities originally planned are to be relocated some 20 km outside the new city limits, and work on the preparation of a preliminary engineering design report has now started.

Back to nature—American style

THE DEPRESSED U.S. housing market has forced some American home builders to do rather strange things, such as trying to sell log cabins to an equally depressed European housing market. Until recently, log cabin construction in the U.S. was undergoing a major revival encouraged by the "back to nature" ecology movement, the socially mobile high-income earners looking for a trendy "country seat," and first-time buyers looking for a hospitable initial step onto the housing ladder. High interest rates and the subsequent recession have suspended all of that.

When things are bad at home, you naturally look further afield and, when it comes to long cabins, well surely Europe (the true originator of the log abode) is a safe bet. Or so some people thought.

One disappointed and perplexed log cabin manufacturer who recently visited Germany summed up the European reaction thus: "Back home we think it's romantic getting back to our roots, but here a lot of people think its plain primitive — something that went out of fashion with the Vikings."

Another manufacturer, Green Mountain Cabins of Chester, Vermont, suggests that the relative scarcity of wood in Europe is a natural handicap to log cabin popularity, and that not one of their quotes has materialised into a European order yet. Doubtless, some head-scratching and accusations of poor marketing follow every unsuccessful foray into new markets, but the key problem is that Europeans view log cabins as vacation homes and, as such, do not have the same advantages of caravans/mobile homes.

Advantages

The Americans argue that the advantages inherent in log homes (the term "cabin" is little used in the industry since many potential customers closely associate it with "shack") are those very things which many people seek, and do not find, in modern houses such as speed of construction, low maintenance, high energy conservation, low total cost, potential for large DIY element in the construction and a flavour of individuality in the finished product.

Log houses appear in multitudinous forms. Daring handymen with a lot of time and timber on their hands can literally hew one out of the surrounding landscape, whereas the less adventurous with more money to spare can buy their Daniel Boone-style abode off the shelf from over 25 major log cabin manufacturers in the U.S. The kits can range from simply 60 or 70 graded logs to packages with all the interior timbers supplied.

A pre-cut kit form log house of about 1,000 square feet floor area will require between only four to 10 days for assembly. Large floor areas and site conditions will extend the time marginally. The primary design constraint in log house construction is the length of the individual log. Anything above 30 ft in length is difficult and more costly to obtain in sufficient quantities for a large structure.

Once the logs are in place, a water repellant is applied (and renewed every 3-5 years) while most manufacturers recommend that an oil based penetrating stain be used also (every 5-10 years) as added protection. Following this maintenance programme, a log house will have an estimated life span of 100 years, industry sources shay.

Low maintenance is major attraction for many American elderly couples who purchase log cabins as retirement homes, according to Lynn Marshall of Green Mountain Cabins, who says the most appealing aspect of a log house, however, is its energy efficiency.

A nine-inch diameter seasoned log wall, according to Steven Winter & Associotes, a New York building systems consultancy, will have an "R" value (or resistance to heat flow) of 11.7. A standsrd conventional wall with 3½ inches of fibreglass insulation in it has an R value of about 13. Log walls however store and radiate solar energy in addition to being an insulator and cannot thus be readily compared with a clinical laboratory test, it is claimed, whereas the mass of the log itself increases the R rating by a minimum of two full points.

Different timbers yield different insulating factors. White cedar for example has an R value of 1.54 per inch of thicknesa, spruce has a 1.40 rating, red pine is 1.21 and Southern yellow pine is 1.08.

Total cost

Total cost of a log house depends on such varied factors as wood type, amount of finished/semi-finished timbers in the package, shipping, and site accessibility.

A 1,200 square ft floor area 2-bedroom kit from Green Mountain will cost $24,950 which includes all the necessary 8 inch diameter milled spruce logs for walls, ceiling/roof timbers. Interior timber fixtures such as doors, sub-floor, windows (but not stairs) and base boards. The Green Mountain logs are cut flat on two sides and linked together with a metal extrusion which acts as a sealant and integral joint. Other companies use traditional tongue and groove milling, or waterproof compounds to make the structures water and air tight.

Onsite assembly and proper fitting out of the house to generally accepted standards of comfort add a further minimum 100 per cent cost to the basic kit price. Thus the $25,000 home will cost at least $50,000 (or perhaps as high as $75,000) on completion. European or Asian readers who purchase such a kit from American suppliers would have to add an extra $4,000 for shipping costs. (Green Mountain's normal catchment area for orders is 1,500 mile radius.) Substantial savings of about $10,000 are possible if a major portion of the assembly work is done by the owner/purchaser.

Many of the log houses constructed in the U.S. are custom designed for individual requirements and needs. Off-the-shelf models do exist and Green Mountain Cabins, for example, are prepared—albeit somewhat reluctantly—to offer sets of blue prints of different cabin designs for between $500-$600.

The North American log house industry is estimated to have an annual turnover of $1bn.

Over the past decade it has managed to overcome many prejudices and handicaps such as bank or building society reluctance to finance projects other than "progressive construction." With a log house, you must pay for it first, then build it later.

Nevertheless the future of log houses depends greatly on the more traditional building forms and, most important, their relative costs. Log cabins offer a wonderful second home option, but in Europe there seem to be very few people with the courage (or the support of a bank manager) to invest the equivalent of £30,000 exclusive of land in a log house when cheaper bricks and mortar can do the job just as well.

Green Mountain Cabins, Box 190, Chester, Vermont 05143. Tel: (802) 875 2163.

PAUL HANNON

UK CONTRACTS

Lovell companies win £8m plus

COMPANIES in the LOVELL CONSTRUCTION group have secured more than £8.2m worth of new contracts with Farrow Construction winning the bulk of the work.

At Watford, Farrow has started on a four-storey office block for Alliance Assurance under an 83-week contract worth £4.5m. Developed for the client's own use, this is situated on the corner of Clarendon Road and St John's Road and will include an integral car park on five levels with space for 157 cars.

Other work for Farrow is a £2.3m redevelopment at Wigmore Street for Howard de Walden Estates, and £1.5m worth for Barclays Bank at Ealing Broadway.

In Holborn, where Y. J. Lovell (London) is building a £7.6m development for Prudential Assurance, the contractor is now to fit out the bank included in the scheme for Barclays which had a branch in the previous buildings here.

BOVIS has a £3m contract from Hewlett-Packard to fit out a building at Winnersh Triangle, Winnersh, Berkshire. The company is responsible for the design management and construction and has already started work with completion expected in March next year.

The job involves fitting out an existing 110,000 sq ft building to provide customer support facilities including electronic workshops, admin offices, plus staff and social facilities.

Except for the warehouse area, the building will be finished to office standards with suspended ceilings, demountable partitions and vinyl or carpeted flooring.

Services will include air conditioning and sprinkler fire protection.

*

CHESTERFIELD'S new central library in New Beetwell Street is being built by FORD AND WESTON at a cost of £2.5m. The 3,960 square metre, six floor building, is said to incorporate many unusual design features and linked to any adjacent shopping centre, it will be one of the largest and most modern structures of its kind in the country.

MEMBER OF the Aberdeen Construction Group, ALEXANDER HALL & SON (BUILDERS) has four new awards together worth £1.2m, split between oil related companies (Shell and Stangate Weld-All) and local authority work (20 houses for Badenoch and Strathspey DC). The company also has a deal to build an advance factory at North Kirkhill for Grampian Regional Council.

*

HARPER & TUNSTALL has won an order worth £77,000 for dyeline and micrographic equipment and supplies for the £400m ethylene plants being built at Mossmorran, Scotland. The order was placed by the Lummus Company which is building the plant for Esso Chemicals.

*

PRESS CONSTRUCTION has won a contract worth £600,000 to carry out phase-two in the construction of the fully automatic feedstock heat-treatment plant at Cadbury's Marlbrook factory near Leominster.

Around the industry

A NEW scaffold system specially developed for the Norwegian market has been launched by British DSL Group's first multi-national scaffolding company, DSL a-s-Norsk Stillasutleie.

Spriteboard is suitable for heavier loading associated with shoring and false work, yet is light and easy to handle for access jobs. It is designed to be used in both fields and has already proved valuable in all forms of access scaffolding to the undersides of floors, bridges and offshore platforms.

*

THE RESIN marketing manager of BIP Chemicals, Mr Stuart Brindley, says he believes that "the long term prospects for UF foam cavity wall insulation in the UK are still good," in answer to recent adverse publicity on cavity foam.

New formulations which will reduce the emission of formaldehyde fumes from foam as it dries are being developed. Despite the publicity given to the few cases where the fumes have caused complaints, BIP Chemicals say the foam has several advantages over other forms of cavity wall insulation, mainly that it is cheaper to install and, unlike polystyrene beads, is non combustible. More from the company at Popes Lane, Warley, West Midlands (021 552 1551).

*

WORK HAS just begun on the new $30m McDonnell Douglas Microelectronics Centre on Airport Road east of the company's world headquarters at Lambert-St Louis International Airport.

Custom-designed electronics circuit for use in military applications and by other divisions of the Corporation will be built at the 152,000 sq ft structure expected to be completed in January 1984.

*

NEW COMPANY Norwest Stanton, formed by Stanton and Staveley and Norwest Holst, will carry out maintenance and renovation of sewers and water mains following its formation on September 1. Its services will range from assessment and design to repair and replacement of these buried assets.

*

SHEPHERD BUILDING Services, said to be the largest unquoted builder in the country, has brought its central functions together at Frederick House, Fulford Road, York, a building originally constructed in 1958 for the Property Services Agency of the DoE.

*

THE NEW 1982 C & CA Catalogue, Part 1, which lists advisory and information publications, slide sets and films available from the Cement and Concrete Association, is now available from the association at 52, Grosvenor Gardens, London, SW1.

*

THE CEMENT and Concrete Association has a new technical report "Design of floors on ground" (ref 42.550) by J. W. E. Chandler, available at £3.00 from Publications Distribution, C and CA, Wexham Springs, Slough.

COMPANY NOTICES

FINANCIAL TIMES
PUBLISHED IN LONDON & FRANKFURT

INTERNATIONAL & BRITISH EDITORIAL & ADVERTISEMENT OFFICES

For Share Index and Business News Summary, Telephone 246 8026 (number, preceded by the appropriate area code valid for London, Birmingham, Liverpool and Manchester).

All advertising is subject to the publisher's current terms and conditions, copies of which are available on request.

CONTRACTS AND TENDERS

EDUCATIONAL

TRAVEL

CLUBS

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Sept 5-8	International Hardware Trades Fair (0727 63213)	Olympia
Sept 5-9	International Watch, Jewellery, and Silver Trades Fair (01-643 8040)	Earls Court
Sept 5-12	International Air Show (01-839 3231)	Farnborough
Sept 6-9	Offshore Europe Exhibition and Conference (01-549 5831)	Aberdeen
Sept 7-10	Label, Labelling, Marking and Identification Industry Exhibition—LABELEX (01-467 7728)	NEC, Birmingham
Sept 7-10	International Carpet Fair (021-705 6707)	Harrogate
Sept 12-16	International Woodworking Industries Exhibition—IWIE (01-486 1951)	NEC, Birmingham
Sept 12-15	MAB International Menswear Fair (0727 63213)	Earls Court
Sept 13-18	International Boat Show (0703 32346)	Southampton
Sept 14-16	Coil Winding International '82 (0202 891339)	Wembley Conference Centre
Sept 19-21	National Bakers' Buying Fair (01-446 2411)	Barbican
Sept 21-23	Harrogate Fashion Fair (01-637 2400)	Harrogate
Sept 26-28	British Footwear Fair (01-739 2071)	Olympia
Sept 27-29	Construction Industry International Exhibition and Conference (01-242 3771)	Imperial College, London
Sept 27-Oct 1	Furnaces, Refractories, Heat Treatment and Fuel Economy Exhibition (0737 68811)	NEC, Birmingham
Sept 28-Oct 6	Good Offices Exhibition (01-631 4547)	Cutlers Gardens, EC2
Sept 28-Oct 1	London Business Show (01-647 1001)	Barbican

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Current	International Autumn Fair (01-734 0543) (until Sept 1)	Frankfurt
Current	Fashion Samples Fair—INTERCHIC (01-749 3061) (until Aug 31)	Berlin
Sept 4-7	Women's Ready-to-Wear Clothing Show (Paris (1) 268-08.40)	Paris
Sept 6-11	International Shipbuilding, Marine, Small Ships and Fishing Exhibition (021-705 6707)	Korea
Sept 11-16	International Public Works Congress and Equipment Show '82 (01-637 2400)	Houston
Sept 14-18	International Electrical Technology Fair—FINNTECH (01-486 1951)	Helsinki
Sept 14-22	International Autumn Fair (01-486 1951)	Zagreb
Sept 21-23	International Exhibition and Conference for the Pharmaceutical, Cosmetics, Toiletry and Allied Industries—INTERPHEX (021 384 3384)	New York
Sept 22-24	International Coal Technology Exhibition and Congress—Europe '82 (010 29 96 55)	Copenhagen
Sept 28-30	International Petroleum Exhibition and Conference OEPC (01-876 2700)	Denver
Sept 30-Oct 7	International Mechanical Handling Equipment Exhibition—INVIA (01-486 1951)	Utrecht

BUSINESS AND MANAGEMENT CONFERENCES

Aug 30-Sept 1	Management Centre Europe: Developing high performance teams (02 219 03 90)	Brussels
Aug 31-Sept 2	FT Conference: Aerospace enters a new era (01-621 1355)	Grosvenor House, W1
Sept 1	John Oltensooser: Tax planning — New Opportunities for the Professions (01-499 8281)	Savoy Hotel, WC2
Sept 6-8	Frost and Sullivan: Data communications: advanced concepts and systems (01-486 8377)	Mount Royal Hotel, London
Sept 7-10	Industrial Relations Services: Law for personnel industrial relations and works managers (01-328 4751)	Royal Horseguards Hotel, Ldn
Sept 9-14	The Textile Institute: Textile machinery—Investing for the Future (061-834 8457)	Palace Hotel, Lucerne
Sept 13-14	Frost and Sullivan: Understanding and using CAD/CAM (01-486 8377)	Mount Royal Hotel, W1
Sept 13-15	FT Conference: World Financial Futures (01-621 1355)	London Press Centre, EC4
Sept 17	Institute of Directors: The London International Financial Futures Exchange (LIFFE) (01-839 1233)	Pall Mall, SW1
Sept 21	Hoare Govett: Financial futures seminar (01-353 1090)	Plasterers' Hall, London
Sept 21-23	Metal Bulletin Congresses: International Aluminium Congress (01-330 4311)	Monte Carlo
Sept 21-22	Lloyd's of London Press: Charter-parties (01-353 1000)	London Press Centre
Sept 23	Energy and Engineering: the market for engineering equipment systems and services for offshore structures (01-439 9021)	Albany Hotel, Glasgow
Sept 29	Goodfellow Associates: Management of Diving Costs In the '80s (0224 20265)	Holiday Inn, Dyce
Sept 30	CBI: The management of change (01-379 7400)	Centre Point, WC1
Oct 1	FPA: Industry North's fire problems (01-248 5222)	Harrogate Conference Centre
Oct 4-7	IFEAT international conference on essential oils and aroma chemicals (01-486 6757)	Royal Garden Hotel, W8

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on August 27 1982. In some cases rates are nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling/dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rates; (exC) exchange certificate rate; (nc) non-commercial rate; (nom) nominal; (o) official rate; (sg) selling rate.

PLACE	LOCAL UNIT	VALUE OF £ STERLING
Afghanistan	Afghani	99.00
Albania	Lek	9.9150
Algeria	Dinar	8.04
Andorra	French Franc	12.04
	Spanish Peseta	194.10
Angola	Kwanza	(CM) 50.7085 / (T) 52.691
Antigua (S)	E. Caribbean $	4.69
Argentina	Ar. Peso	(cm) 42,038 / (fn) 87,815
Australia (S)	Australian $	1.7955
Austria	Schilling	30.055
Azores	Portugu'se Escudo	148.25
Bahamas	Ba. Dollar	1.7365
Bahrain	Dinar	0.660
Balearic Isles	Spa. Peseta	194.10
Bangladesh	Taka	38.75
Barbados	Barbados $	3.4730
Belgium	B. Franc	(cm) 89.40 / (fn) 86.40
Belize	B $	3.4730
Benin	C.F.A. Franc	602.0
Bermuda	Bda $	1.7365
Bhutan	Indian Rupee	16.65
Bolivia	Bolivian Peso	(cm) 76.40 / (F)(A) 173.66
Botswana	Pula	1.9200
Brazil	Cruzeiro ‡‡	328.15
Brit. Virgin Isles	U.S. $	1.7365
Brunei	Brunei $	3.7375
Bulgaria	Lev	1.6810
Burma	Kyat	13.5259
Burundi	Burundi Franc	154.085
Cameroon Republic	C.F.A. Franc	602.0
Canada	Canadian $	2.1590
Canary Islands	Spanish Peseta	194.10
Cape Verde Isle	Cape V. Escudo	84.76
Cayman Islands	Cay. Is. $	1.4470
Cent. Afr. Republic	C.F.A. Franc	602.0
Chad	C.F.A. Franc	602.0
Chile	C. Peso	109.62
China	Renminbi Yuan	3.3619
Colombia	C. Peso	(F) 112.95
Comoro Islands	C.F.A. Franc	602.0
Congo (Brazaville)	C.F.A. Franc	602.0
Costa Rica	Colon	(O) N/A / (F) N/A
Cuba	Cuban Peso	1.4570
Cyprus	Cyprus £	0.8425
Czechoslovakia	Koruna	(com) 10.50 / n/c 18.81 / (T) 18.30
Denmark	Danish Krone	15.015
Djibouti	Fr.	300 (sg)
Dominica	E. Caribbean $	4.69
Dominican Repub.	Dominican (Peso)	1.7365
Ecuador	Sucre	(O) 57.65 / (F) 87.00
Egypt	Egyptian £	(U) 1.445
Equatorial Guinea	Ekuele	388.2
Ethiopia	Ethiopian Birr	(P) 3.5400
Falkland Islands	Falkland Is £	1.0
Faroe Islands	Danish Krone	15.015
Fiji Islands	Fiji $	1.6355
Finland	Markka	8.1846
France	French Franc	12.04
French C'ty in Af*	C.F.A. Franc	602.0
French Guiana	Local Franc	12.04
French Pacific Is.	C.F.P. Franc	208 (sg)
Gabon	C.F.A. Franc	602.0
Gambia	Dalasi	4.0
Germany (East)	Ostmark	4.2925
Germany (West)	Deutsch Mark	4.2925
Ghana	Cedi	4.84
Gibraltar	Gibraltar £	1.0
Greece	Drachma	120.754
Greenland	Danish Kroner	15.016
Grenada	E. Caribbean $	4.69
Guadaloupe	Local Franc	12.04
Guam	U.S. $	1.7365
Guatemala	Quetzal	1.7365
Guinea Republic	Syli	38.90
Guinea Bissau	Peso	58.35
Guyana	Guyanese $	5.2680
Haiti	Gourd	8.6825
Honduras Repub.	Lempira	3.50
Hong Kong	H.K. $	10.475
Hungary	Forint	66.47‡‡
Iceland	I. Krona	25.11
India	Ind. Rupee	16.65
Indonesia	Rupiah	1,146.15
Iran	Rial	148.00 (sg)
Iraq	Iraq Dinar	0.5225
Irish Republic	Irish £	1.24725
Israel	Shekel	47.85
Italy	Lira	2,414.5
Ivory Coast	C.F.A. Franc	602.0
Jamaica	Jamaica Dollar	3.0958
Japan	Yen	445.5
Jordan	Jordan Dinar	0.609
Kampuchea	Riel	9,083.8
Kenya	Kenya Shilling	19.00
Kiribati	Australian $	1.7955
Korea (Nth)	Won	1.68 (U)
Korea (Sth)	Won	1,297.84
Kuwait	Kuwait Dinar	0.5006
Laos	New Kip	17.365
Lebanon	Lebanese £	8.7985
Lesotho	Loti	1.98625
Liberia	Liberian $	1.7365
Libya	Libyan Dinar	0.5140
Liechtenstein	Swiss Franc	3.64
Luxembourg	Lux Franc	83.40
Macao	Pataca	10.75
Madeira	Portug'se Escudo	148.25
Malagasy Republic	MG Franc	537.50
Malawi	Kwacha	1.9340
Malaysia	Ringgit	4.0675
Maldive Islands	Rufiyaa	13.11
Mali Republic	Mali Franc	1,149.0
Malta	Maltese £	0.725
Martinique	Local Franc	12.04
Mauritania	Ouguiya	88.85
Mauritius	M. Rupee	19.16
Mexico	Mexican Peso	(F) 183.20 (4) / (P) 85.35 (5)
Miquelon	C.F.A. Franc	602.0
Monaco	French Franc	12.04
Mongolia	Tugrik	(o) 5.59 (ii)
Montserrat	E. Caribbean $	4.69
Morocco	Dirham	10.45 (sg)
Mozambique	Metical	52.55
Nauru	Australian Dollar	1.7955
Nepal	Nepalese Rupee	22.85
Netherlands	Guilder	4.705
Netherland Antilles	Antillian Guilder	3.1083
New Zealand	N.Z. Dollar	2.3770
Nicaragua	Cordoba	17.40
Niger Republic	C.F.A. Franc	602.0
Nigeria	Naira	1.179783 (sg)
Norway	Norway Krone	11.49
Oman Sultanate of	Rial Omani	0.606
Pakistan*	Pakistan Rupee	20.95
Panama	Balboa	1.7365
Papua N. Guinea	Kina	1.3120
Paraguay	Guarani	(O) 219.24 / (F) 274.40
Peru	Sol	exc (A) 1,290.19
Philippines	Philippine Peso	14.62
Pitcairn Islands	£ Sterling	
	New Zealand $	2.3770
Poland	Zloty	(Cm) 147.91 / (T) 147.91
Portugal	Portugu'se Escudo	148.25
Puerto Rico	U.S. $	1.7365
Qatar	Qatar Ryal	6.38
Reunion Ile de la	French Franc	12.04
Romania	Leu	(Cm) 7.98 / (n/c) 18.65
Rwanda	Rwanda Franc	157.51
St. Christopher	E. Caribbean $	4.69
St. Helena	St. Helena £	1.0
St. Lucia	E. Caribbean $	4.69
St. Pierre	Local Franc	12.04
St. Vincent	E. Caribbean $	4.69
Salvador El	Colon	4.35
Samoa American	U.S. $	1.7365
San Marino	Italian Lira	2,414.5
Sao Tome & Prin.	Dobra	71.30
Saudi Arabia	Ryal	5.96825
Senegal	C.F.A. Franc	602.0
Seychelles	S. Rupee	11.46 (sg)
Sierra Leone	Leone	2.1571
Singapore	Singapore $	3.7375
Solomon Islands	Solomon Is. $	1.7945
Somali Republic	Somali Shilling (1)	11.05
Somali Republic	Somali Shilling (2)	91.63
South Africa	Rand	1.98625
South West African Territories	S. A. Rand	1.98625
Spain	Peseta	194.10
Spanish ports in North Africa	Peseta	194.10
Sri Lanka	S. L. Rupee	36.00
Sudan Republic	Sudan £ (U)	1.5628
Surinam	S. Guilder	3.1083
Swaziland	Lilangeni	1.98625
Sweden	S. Krona	10.58
Switzerland	Swiss Franc	3.64
Syria	Syria £	(A) 10.0
Taiwan	New Taiwan $	66.00
Tanzania	Tan. Shilling	16.40
Thailand	Baht	39.77
Togo Republic	C.F.A. Franc	602.0
Tonga Islands	Pa'anga	1.7955
Trinidad	Trinidad & Tob. $	4.1676
Tunisia	Tunisian Dinar	1.05 (sg)
Turkey	Turkish Lira	299.48
Turks & Caicos	U.S. $	1.7365
Tuvalu	Australian $	1.7955
Uganda	Uganda Shilling	165.0
United States	U.S. Dollar	1.7365
Uruguay	Uruguay Peso	(cm) 22.45 / (fn) 22.45
Utd. Arab Emirates	U.A.E. Dirham	6.37075
U.S.S.R.	Rouble	1.2569
Upper Volta	C.F.A. Franc	602.0
Vanuatu	Vatu	170.30
	Aust. Dollar	1.7955
Vatican	Italian Lira	2,414.5
Venezuela	Bolivar	7.47
Vietnam	Dong	(O) 3.7755 / (T) 4.11 (1)
Virgin Island U.S.	U.S. Dollar	1.7365
Western Samoa	Samoan Tala	2.13
Yemen (Nth)	Ryal	7.97 (sg)
Yemen (Sth)	S. Yemen Dinar	(A) 0.5960
Yugoslavia	New Y Dinar	85.9844
Zaire Republic	Zaire	10.174387
Zambia	Kwacha	1.6425
Zimbabwe	Zimbabwe $	1.3250

*That part of the French community in Africa formerly French West Africa or French Equatorial Africa. † Rupees per pound. ‡ General rates of oil and iron exports 72.85. ‡‡ Rate is the transfer market (controlled). ‡‡ Now one official rate. (U) Unified rate. Applicable on all transactions except countries having a bilateral agreement with Egypt and who are not members of IMF. (1) Based on gross rates against Russian rouble. (1) Parallel exchange rate for essential imports. (2) Exports, non-essential imports and transfer. (3) Essential goods. (4) Floating rate. (5) Preferential rate for priority imports such as foodstuffs.

WORLD STOCK MARKETS

Wall St off 4.7 at 1pm

WALL STREET was low at 1 pm, with the Dow Jones Industrial Average off 4.7 at 867.66. Declines led advances by two to one, and volume was about 39m shares.

Analysts said investors were worried about possible increases in U.S. interest rates and about the outlook for the U.S. economy. However, stocks were above their low point of the day. The Average fell 6½ points in heavy trading after the market opened. The New York Stock Exchange Composite index eased 0.51 to 66.72.

After a delayed opening, Criton rose $5⅞ to $45⅞ after it accepted an increased bid of $46 per share from Dyson-Kissner-Moran. Bendix gained $4⅞ to $59. The board of Martin Marietta is meeting today to decide whether to accept Bendix's offer.

Eastman Kodak was up $1¼ to $79⅞ after its disc camera received favourable Press comment.

The bulk of issues were still lower, with AMP off $1 to $54⅞, Jim Walter $3¼ to $18, Homestake Mining $1⅞ to $30, ASA $1¼ to $37⅞, Raymark $1⅞ to $7⅞, Teledyne $1¼ to $94⅞, Sohio $1 to $30⅞ and Trane $2¼ to $25⅞.

United Carolina fell $2¼ to $14 and First Union was unchanged at $19⅞. First Union said it had decided not to pursue its takeover bid for United Carolina, following the rejection of its offer.

THE AMERICAN SE Market Value index lost 2.15 to 273.26. Volume 2.85m (4.37m).

Canada

Stocks fell sharply in Toronto in a broad retreat, reflecting Wall Street's concern over the direction of interest rates. The Composite Index was off 14.6 at 1,571.5 on turnover of 2.78m shares. Falls led rises 253 to 104. All 14 of the major indices lost ground.

Among Mining issues, Falconbridge dropped $1¼ to $44½, Camflo Mines ⅛ to $8½, Teck Class "B" ¼ to $7¼ and Hudson Bay Mining ⅞ to $13½.

Noranda, off ¼ at $15½, said it expected to resume full contractual shipments from its Canadian copper refinery in October. Workers were returning to work yesterday after accepting Noranda's contract offer.

Montreal stocks were lower as the Composite Index fell 2.21 points to 271.26 on volume of 308,260 shares. Among the indices, Oils fell 7.39 to 491.46, Utilities dropped 1.29 to 205.32 and Industrials retreated 2.36 to 285.80.

The Vancouver Exchange index was off 2.28 at 811.15 on turnover of 2.81m shares.

Closing prices for North America were not available for this edition.

Tokyo

Share prices were mixed through the day in thin trading as investors adopted a "wait-and-see" attitude in view of the yen's setback against the dollar and uncertainty over U.S. interest rate trends, dealers said. Saturday's trading had brought sharp falls.

The Nikkei Dow Average shed 8.97 to 7,118.85 on volume of 120m shares. The Tokyo Stock Exchange index dipped 1.05 to 530.06. Issues related to the Government's public spending plans, such as Oils and Foods, fell slightly, although non-ferrous metals and speculatives were in demand.

Toyota Motor shed Y15 to Y862, Nissan Motor Y11 to Y762, Toshiba Y3 to Y318, Matsushita Electric Y10 to Y1,070, Nippon Oil Y7 to Y857, Tokio Marine and Fire Y6 to Y440 and Sumitomo Metal Y2 to Y133.

However, Nippon Steel rose Y2 to Y137, Mitsubishi Electric Y5 to Y261, Canon Y9 to Y841, Kawasaki Heavy Industries Y2 to Y160, Sony Y10 to Y3,380, Sumitomo Metal Mining Y20 to Y885.

Foreign selling of Japanese stocks exceeded buying in the week ended August 20 for the fourth consecutive week, said the Tokyo Stock Exchange. However, net selling narrowed sharply to Y300m from Y31.3bn in the preceding week.

Germany

Share prices fell sharply in thin official trading in Frankfurt as bond market easiness spilled over. Last week's interest rate cuts failed to provide further stimulus, dealers said.

However, AEG closed DM 1.70 higher at DM 33 on rising hopes that the Government will grant DM 1.1bn in credit guarantees.

In other Electricals, Siemens fell DM 2.20 to DM 222.90. In Banks, Deutsche fell DM 5.20 to DM 253.30, Commerzbank DM 2.70 to DM 115.30, and Dresdner DM 2.30 to DM 118.70. The Commerzbank index fell 10 points to 668.8.

Domestic bond prices fell on moderate selling pressure after Friday's weak close in the U.S. credit markets and the dollar's renewed strength, dealers said.

Switzerland

Share prices eased on smaller volume in reaction to recent gains and Friday's lower trend on Wall Street, dealers said. They added that the renewed strength of the dollar and the continuing attraction of dollar investments had encouraged many investors to take funds out of the Swiss market.

Banks lost ground, with Union Bank of Switzerland, Swiss Bank Corporation, Credit Suisse and Swiss Volksbank all retreating. Engineering issues continued to slide, with Brown Boveri, Sulzer, Fischer and Von Roll all lower.

In the Bond market, turnover was considerably below last week, dealers said.

Paris

Share prices were mixed in moderate trading. Friday's news of a seasonally adjusted trade deficit of FFr 8.94bn for July discouraged buyers, dealers said.

Brussels

Belgian share prices were steady, but foreign share prices were mostly lower in moderate trading, with investors cautious after falls on Wall Street.

Milan

Prices firmed moderately in all sectors in modest trading, dealers said.

Rinascente continued to climb in the Retailers sector, and Standa firmed on rumours that Montedison might cede control and that there might be management changes.

Ambrosiano-owned Banca Cattolica del Veneto and Centrale rose among Financials.

Singapore

Shares were mixed on lack of buying support after a steady opening in selective moderate trading, dealers said. The Straits Times Industrial index fell 0.68 to 621.86.

Stockholm

Shares closed weaker on large turnover in the absence of fresh factors to motivate buyers. Industrials were mixed. In Banks, Skandinaviska Enskilda Banken eased SKr 3 to SKr 219, and Svenska Handelsbanken shed SKr 1 to SKr 107.

Australia

Shares fell marginally on low turnover in Sydney. Traders were unwilling to commit themselves in the face of uncertainty over U.S. interest rates, brokers said. The All Ordinaries index fell 1.5 points to 481.8.

BHP at A$7.16 and MIM at A$3.18 lost 10c, while Bougainville fell 6c to A$1.49.

Among Golds, GMK was 20c down at A$5.30, Central Norseman fell 10c to A$6.10 and Poseidon shed 10c to A$2.90. Oil and Gas stocks were mixed with Santos off 4c at A$5.16 and Bridge down 6c at A$2.74

Companies and Markets

CURRENCIES, MONEY and GOLD

MONEY MARKETS

BY COLIN MILLHAM

The flight to quality

STRONG SIGNALS from the Bank of England produced the desired effect of forcing the clearing banks to cut another ½ per cent from base lending rates. But London began to show last week that it is not totally insulated from the problems of the U.S. banking system. The upward trend to period rates after sharp reductions in the Bank of England's money market dealing rates was not simply an adjustment after the over-enthusiasm of the previous week.

There are a very large number of U.S. banks trading in London, and the problems at home were obviously having an impact. News that Chase Manhattan expects no loss from the failure of the securities dealer Lombard-Wall will help restore some confidence, but the basic problem of the debts owed to U.S. banks remains.

This was graphically illustrated by what one London dealer described as the flight to quality, with yields on U.S. Government stock falling sharply as investors sought a safe refuge.

One-month Treasury bill yields fell to just over 4 per cent, compared with a one-month bank certificate of deposit rate of over 9 per cent, while in London market nervousness was illustrated by the widening differential between sterling certificates of deposit rates and interbank interest rates. The lower rates on CDs reflects the attraction of having paper to sell at times of uncertainty.

The Federal Reserve attempted to reassure the markets and point the way to lower interest rates by injecting large sums into the money market, followed by a cut in its discount rate.

German, Swiss and Dutch central banks followed suit with discount rate cuts, which like the signals on base rates from the Bank of England were designed to give some relief to depressed economies. France would doubtless like to do the same, but as British Government ministers are only too pleased to point out, socialist policies are now having to be paid for with even higher French interest rates. Downward trends in official interest rates are likely to continue in the near future, but as the London market fears this may only be a sign of the growing movement into safe Government stock.

WEEKLY CHANGE IN WORLD INTEREST RATES

	Aug. 27	change		Aug. 27	change
LONDON			**NEW YORK**		
Base rates	10½	—½	Prime rates	13½	—½
7 day interbank	10⅞-11⅛	—⅛	Federal funds	10-10¼	—1¼
3 mth interbank	10 11/16-10 13/16	+1/16	3 mth Treasury Bills	7.56	—0.84
Treasury Bill Tender	9.9176	—0.719	6 Mth. Treasury Bills	9.24	—0.99
Band 1 Bills	10⅝-10¼	—⅝	3 Mth. CD	10.05	—1.35
Band 2 Bills	10½	—½	**FRANKFURT**		
Band 3 Bills	10⅜	—½	Lombard	8.00	—1
3 Mth. Treasury Bills	10⅛-10¼	Unch'd	One Mth. Interbank	8.40	—0.30
1 Mth. Bank Bills	10⅞	Unch'd	Three month	8.40	—0.20
3 Mth. Bank Bills	10⅛-10 3/32	Unch'd	**PARIS**		
TOKYO			Intervention Rate	14¼	Unch'd
One month Bills	7.09375	—0.3125	1 Mth. Interbank	19⅜	—⅛
Three month Bills	7.34375	Unch'd	Three month	14⅝	—⅛
BRUSSELS			**MILAN**		
One month	13¾	+⅛	One month	18¼	—½
Three month	13⅞	+⅛	Three month	18 1/16	—1½
AMSTERDAM			**DUBLIN**		
One month	7 3/16	—⅛	One month	13⅞	—1½
Three month	7½	—⅛	Three month	15⅛	—1⅞

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, and band 3 bills 34 to 63 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week. * Band 4 10⅜.

BANK OF ENGLAND TREASURY BILL TENDER

	Aug. 27	Aug 20		Aug 27	Aug. 20
Bills on offer	£100m	£100m	Top accepted rate of discount	—	—
Total of applications	£396.9m	£491.16m	Average rate of discount	9.9176%	9.9894%
Total allocated	£100m	£100m	Average yield	10.15711%	10.25%
Minimum accepted bid	£97.51½	£97.505	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	8%	100%			

FT LONDON INTERBANK FIXING

3 months U.S. dollars	
bid 10 13/16	offer 10 15/16

6 months U.S. dollars	
bid 11 13/16	offer 11 15/16

The fixing rates (Aug 27) are the arithmetic means rounded to the nearest one-sixteenth of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

Aug. 27 1982	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ⊕	Eligible Bank Bills ⊕	Fine Trade Bills ⊕
Overnight	—	9-11⅛	11	—	—	11¼	9-11⅛	—	—	—
2 days notice	—	—	11¼	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	11-11¼	11¼	—	—	11⅛	10½-10¾	—	—	—
One month	10 13/32-10 11/32	10 13/16-11 1/16	11	11⅛-11¼	11 1/16	11¼	10½	10⅛	10⅛	11 1/16
Two months	10 11/16-10 9/16	10¾-10⅞	10¾	11½-11⅛	10⅞	—	10½	10 1/16	10⅞	11
Three months	10 9/16-10½	10 11/16-10 9/16	10⅝	11¼-10⅞	10 11/16	—	10	10 1/16	10⅛	10 11/16
Six months	10 7/16-10 5/16	10 11/16-10 9/16	10½	9⅞-9⅝	10 11/16	—	—	—	9⅞	10⅛
Nine months	10 9/16-10 7/16	10 11/16-10 9/16	—	10⅝-10¼	10 11/16	—	—	—	—	—
One year	10 11/16-10 9/16	10 11/16-10 9/16	10¾	10½-10¼	10 11/16	—	—	—	—	—
Two years	—	—	10⅞	—	—	—	—	—	—	—

ECGD Fixed Rate Sterling Export Finance. Scheme IV Average Reference Rate for interest period 19 July to 3 August 1982 (inclusive): 12.142 per cent. Local authorities and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rates, nominally three years 10⅝ per cent; four years 11 per cent; five years 11⅛ per cent. ⊕Bank bill rates in table are buying rates for prime paper. Buying rates for four-months bank bills 10⅝ per cent; four months trade bills [illegible] per cent.

Approximate selling rate for one month Treasury bills 10⅞ per cent; two months 10⅝ per cent and three months 9¾ per cent. Approximate selling rate for one month bank bills 10⅝ per cent; two months 10⅝ per cent and three months 10⅝ per cent; one month trade bills 10¾ per cent; two months 10⅞ per cent; three months 10⅞ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 13 per cent from August 1 1982. London and Scottish Clearing Bank Base Rates for lending 10½ per cent. London Deposit Rates for sums at seven days' notice 7¼-7½ per cent. Treasury Bills: Average tender rates of discount 9.9176 per cent. Certificates of Tax Deposit (Series 5) 11 per cent from August 18. Deposits withdrawn for cash 9 per cent.

EURO-CURRENCY INTEREST RATES (Market closing rates)

Aug. 27	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short term	11-11¼	9¼-9¾	14½-16¼	7¼-7¾	1½-3	7⅞-8⅛	14-15	16-18	12½-14	13¼-14	7-7¼	13¼-15¾
7 day's notice	11-11¼	9½-9¾	15-16	7¼-7⅞	5-5½	8-8⅛	17¼-19¼	17½-19¾	13-14½	13¾-14	7⅛-7¼	—
Month	11-11¼	10-10¼	14⅜-15⅝	7⅞-8	3¼-3½	8 1/16-8 3/16	18-20	20⅛-21⅛	13¼-14	13¾-14	7⅛-7¼	13¼-14¾
Three months	10¾-10⅞	11-11¼	14⅛-14⅜	7⅞-8	3½-4 1/16	8 1/16-8 5/16	20-22	20⅝-21⅝	13¾-14⅛	13¾-14	7 1/16-7 3/16	13⅝-14⅞
Six months	10¾-10⅞	12-12¼	14⅝-19⅞	8⅛-8¼	4⅛-5 1/16	8⅜-8½	19-21	21⅛-22	14⅛-15	13¾-14	7 1/16-7 3/16	15¼-16¾
One Year	10¾-10⅞	12⅛-12¾	14½-14¾	9⅛-8⅞	4⅛-5 1/16	8⅜-8½	19-21	21⅝-22	14-14½	13¾-14	7 1/16-7 5/16	15-17½

SDR linked deposits: one month 10 11/16-11 3/16 per cent; three month 10 15/16-11 3/16 per cent; six months 11 7/16-11 15/16 per cent; one year 11⅞-12 per cent.

ECU linked deposits: one month 12 15/16-13 5/16 per cent; three months 12 11/16-12 3/16 per cent; six months 12 13/16-13 3/16 per cent; one year 12⅜-12⅝ per cent.

Asian $ (closing rates in Singapore): one month 9⅞-10 per cent; three months 10 13/16-10 15/16 per cent; six months 11 13/16-11 15/16 per cent; one year 12 1/16-12 3/16 per cent. Long-term Eurodollar: two years 13½-13¾ per cent; three years 13¾-14 per cent; four years 14-14¼ per cent; five years 14⅛-14⅜ per cent; nominal closing rates. Short-term rates are call for U.S. dollars, Canadian dollars and Japanese yen; others two days' notice.

The following rates were quoted for London dollar certificates of deposit: one month 9.90-10.00 per cent; three months 10.55-10.65 per cent; six months 11.70-11.80 per cent; one year 11.90-12.10 per cent.

CURRENCIES AND GOLD

Dollar improves

THE DOLLAR was firmer against most currencies last week, despite lower U.S. interest rates including a cut in the Federal Reserve discount rate, and the injection of over $1bn into the New York banking system on Tuesday and Wednesday. On the other hand the firmer trend in Eurodollar interest rates helped support the dollar, while European currencies tended to ease as the German Bundesbank, Swiss National Bank, and Dutch central bank cut their discount and other key lending rates. The U.S. currency rose to DM 2.4710 from DM 2.4530 against the D-mark; to FFr 6.9350 from FFr 6.85 against the French franc; to SwFr 2.0950 from SwFr 2.0730 in terms of the Swiss franc; and to Y256.50 from Y254.75 against the Japanese yen. The dollar's trade weighted index, according to the Bank of England rose to 120.4 from 120.2.

Sterling's index, on Bank of England figures, rose to 91.7 from 91.5, after touching a 12-month peak of 92.3 on Thursday.

The pound rose to DM 4.2925 from DM 4.2725; to FFr 12.04 from FFr 11.9250; to SwFr 3.64 from SwFr 3.61; and to Y445.50 from Y444. Sterling was generally quite firm as Euro-sterling and domestic interest rates remained high despite the cut in the U.S. discount rate and lower UK bank base rates.

The French franc came under pressure, and required intervention in the foreign exchange market by the Bank of France, and the support of much higher Eurofranc interest rates. The Italian lira also lost ground, but showed a slightly firmer trend towards the end of the week.

Gold rose $32½ to $416-$417 after touching a peak of $427-$429. Nervousness about events in the Middle East, and the recent softer trend of the dollar, contributed to the rise in the gold price. But underlying sentiment continued to reflect fears about the international banking system, making Government stocks and precious metals very attractive to investors.

THE DOLLAR SPOT AND FORWARD

Aug 27	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7325-1.7570	1.7360-1.7370	0.10c pm-par	0.34	0.30-0.40dis	—0.81
Ireland†	1.3910-1.4090	1.3910-1.3925	0.85-0.75c pm	6.88	1.95-1.80 pm	5.38
Canada	1.2345-1.2395	1.2390-1.2395	0.39-0.40c dis	—4.02	0.95-1.02dis	—3.18
Nethlnd.	2.6795-2.7150	2.7070-2.7080	0.50-0.40c pm	1.99	1.90-1.80 pm	2.73
Belgium	46.86-47.45	47.43-47.45	14-16c dis	—3.81	35-39 dis	—3.13
Denmark	8.5420-8.6425	8.6325-8.6425	2-2¼ore dis	—2.96	5½-6 dis	—2.67
W. Ger.	2.4400-2.4750	2.4705-2.4715	0.45-0.40pf pm	2.06	1.75-1.70 pm	2.79
Portugal	84.50-85.60	85.30-85.60	75-175c dis	—17.56	150-450dis	—14.04
Spain	110.55-111.45	111.00-111.20	55-65c dis	—6.48	195-220dis	—7.47
Italy	1,381-1,394	1,390½-1,391½	12-13lire dis	—10.77	34-36 dis	—10.05
Norway	6.5750-6.6250	6.6025-6.6125	1.50-1.90ore dis	—3.09	5.40-5.80dis	—3.39
France	6.8500-6.9400	6.9325-6.9375	4½-6c dis	—9.12	17-20 dis	—10.71
Sweden	6.0435-6.1030	6.0825-6.0925	2.50-2.70ore dis	—5.12	5.20-5.40dis	—3.48
Japan	254.00-256.80	256.45-256.55	0.70-0.60y pm	3.04	2.55-2.45 pm	3.90
Austria	17.18-17.36½	17.30½-17.31½	3¼-2gro pm	1.81	11-8 pm	2.19
Switz.	2.0640-2.1030	2.0945-2.0955	1.18-1.10c pm	6.53	3.48-3.40 pm	6.57

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

Belgian rate is for convertible francs. Financial franc 49.70-49.80.

THE POUND SPOT AND FORWARD

Aug 27	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.7325-1.7570	1.7360-1.7370	0.10c pm-par	0.34	0.30-0.40dis	—0.81
Canada	2.1460-2.1690	2.1515-2.1525	0.63-0.73c dis	—3.79	2.05-2.15dis	—3.90
Nethlnd.	4.68-4.72	4.70-4.71	1⅛-⅞c pm	2.55	2½-2 pm	1.91
Belgium	82.00-82.60	82.35-82.45	18-25c dis	—3.18	75-85 dis	—3.88
Denmark	14.95-15.03	15.00½-15.02½	2⅛-3⅛ore dis	—2.40	10⅛-10⅞dis	—2.81
Ireland	1.2430-1.2490	1.2465-1.2480	0.58-0.73p dis	—6.20	1.80-2.02dis	—6.12
W. Ger.	4.27-4.30½	4.28½-4.29½	1⅛-⅞pf pm	2.79	2⅞-2⅛ pm	2.21
Portugal	147.75-149.25	148.00-148.50	105-290c dis	—15.99	245-780dis	—13.83
Spain	133.00-194.50	194.00-194.20	65-90c dis	—4.79	310-365 dis	—5.95
Italy	2,412-2,428	2,413-2,416	19-22lire dis	—10.19	63-67 dis	—10.77
Norway	11.48-11.58	11.48-11.50	1½-2⅛ore dis	—2.15	9½-10¼ dis	—3.52
France	11.98-12.05	12.03-12.05	8½-11½c dis	—9.97	35-40 dis	—12.48
Sweden	10.57-10.66	10.57-10.59	3⅜-4½ore dis	—4.25	9½-10½ dis	—3.78
Japan	443-448	445-446	1.56-1.36y pm	3.93	3.50-3.30 pm	3.05
Austria	30.00-30.25	30.03-30.08	9-6gro pm	2.99	19½-12½ pm	2.13
Switz.	3.61-3.65	3.63½-3.64½	2⅛-1⅛c pm	6.59	5½-5 pm	5.77

Belgian rate is for convertible francs. Financial franc 86.35-86.45. Six-month forward dollar 1.30-1.40c dis. 12-month 3.25-3.40c dis.

GOLD MARKETS

	Aug. 27		Aug 26	
Gold Bullion (fine ounce)				
Close	$416-417	(£239-239½)	$416-417	(£235½-236)
Opening	$421-422	(£240-240½)	$416-417	(£237-237½)
Morning fixing	$425.85	(£249.3081)	$417.50	(£237.594)
Afternoon fixing	$418	(£240.093)	$417	(£235.398)
Gold Coins Aug. 27				
Krugrnd	$423½-424	(£243¾-244¼)	King Sov	$100-103 (£57½-58)
½ Krug	$219½-220½	(£126¼-127)	Victoria Sov	$100-103 (£57½-58)
¼ Krug	$113-113½	(£64¾-65)	French 20s	$82-89½ (£47¼-49½)
1/10 Krug	$46½-46¾	(£26¾-26¾)	50 pesos Mex.	$515-518 (£296¼-298¼)
Mapleleaf	$423½-424	(£243¾-244¼)	100 Cor. Aust	$405-412 (£233¼-237¼)
New Sov	$99-99¾	(£56¾-57)	$20 Eagles	$445-450 (£256¾-258¾)

FORWARD RATES AGAINST STERLING

	Spot	1 month	3 month	6 month	12 month
Dollar	1.7365	1.7360	1.7400	1.7500	1.7702
D-Mark	4.2925	4.2775	4.2687	4.2485	4.2225
French Franc	12.04	12.14	12.4150	12.68	—
Swiss Franc	3.64	3.62	3.5875	3.55	3.465
Japanese Yen	445.50	444.05	443.15	438.7	432.5

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU August 27	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.9704	45.2165	+0.55	—0.42	±1.5501
Danish Krone	8.23400	8.24481	+0.13	[illegible]	±1.6430
German D-Mark	2.33379	2.35797	+1.04	+0.91	±1.0888
French Franc	6.61387	6.62099	+0.10	—0.03	±1.3940
Dutch Guilder	2.57971	2.58510	+0.21	+0.08	±1.5004
Irish Punt	0.691011	0.685678	—0.77	—0.90	±1.6691
Italian Lira	1350.27	1332.67	—1.30	—1.30	±4.1369

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

OTHER CURRENCIES

Aug 27	£	$		£ Note Rates
Argentina Peso	42,039	24,160*	Austria	30.00-30.50
Australia Dollar	1.7948-1.7963	1.0270-1.0280	Belgium	80.50-87.50
Brazil Cruzeiro	258.56-259.06	[illegible]	Denmark	14.91-15.05
Finland Markka	8.1760-8.1910	4.7090-4.7040	France	11.98-12.08
Greek Drachma	118.558-122.698	68.50-69.50	Germany	4.28½-4.30½
Hong Kong Dollar	10.451-10.481	6.03-6.04	Italy	2390-2440
Iran Rial	[illegible]	84.60*	Japan	438-448
Kuwait Dinar (KD)	0.500-0.501	0.28815-0.28830	Netherlands	4.69-4.73
Luxembourg Fr	82.35-82.45	47.43-47.45	Norway	11.47-11.57
Malaysia Dollar	4.0625-4.0725	2.3395-2.3425	Portugal	147-157
New Zealand Dlr	2.3745-2.3795	1.3615-1.3625	Spain	189-201
Saudi Arab Riyal	5.9685-5.9720	3.4370-3.4380	Sweden	10.50-10.65
Singapore Dollar	3.7395-3.7425	2.1450-2.1460	Switzerland	3.61-3.66
Sth African Rand	1.9860-1.9875	1.1420-1.1445	United States	1.73½-1.75¼
U.A.E. Dirham	6.3570-6.3746	3.6710-3.6730	Yugoslavia	103-108

† Rate shown for Argentina is commercial. Financial rate 67,796-67,835 against sterling 38,950-39,000 against dollar. * Selling rate.

CURRENCY MOVEMENTS

Aug. 27	Bank of England Index	Morgan Guaranty Changes %
Sterling	91.7	—33.0
U.S. dollar	120.4	+11.3
Canadian dollar	89.0	—18.3
Austrian schilling	117.7	+7.4
Belgian franc	91.6	—9.3
Danish kroner	81.4	—14.0
Deutsche mark	129.2	+48.5
Swiss franc	146.5	+97.1
Guilder	117.4	+29.1
French franc	73.6	—18.3
Lira	55.8	—56.3
Yen	135.4	+18.1

Based on trade weighted changes from Washington agreement December 1971. Bank of England Index (base average 1975=100).

CURRENCY RATES

August 27	Bank rate %	Special Drawing Rights	European Currency Units
Sterling	—	0.634687	0.539664
U.S. $	10½	1.10095	0.937550
Canadian $	13.95	1.36221	1.16401
Austria Sch.	6¾	18.7977	16.0618
Belgian F	11½	52.4070	45.2165
Danish Kr	11	9.33675	8.24481
Deutsche Mk	7½	2.67277	2.35797
Guilder	8	2.94251	2.58510
French Fr	9½	7.54850	6.62099
Lira	19	1510.??	1332.67
Yen	5½	277.613	236.667
Norwgn. Kr	9	7.29751	6.39891
Spanish Pta	—	124.221	106.240
Swedish Kr	10	6.63574	5.82056
Swiss Fr	5	2.28804	1.99506
Greek Dr'ch	20½	76.6498	66.7997

*CS/SDR rate for August 26: 1.36634.

EXCHANGE CROSS RATES

Aug. 27	Pound St'rling	U.S. Dollar	Deutschem'k	Japanese Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.737	4.293	445.5	12.04	3.640	4.703	2415.	2.152	82.40
U.S. Dollar	0.576	1.	2.472	256.5	6.933	2.096	2.709	1390.	1.239	47.45
Deutschemark	0.233	0.405	1.	103.8	2.805	0.848	1.096	562.5	0.501	19.20
Japanese Yen 1,000	2.245	3.898	9.635	1000.	27.03	8.171	10.56	5420.	4.831	185.0
French Franc 10	0.831	1.442	3.565	370.0	10.	3.023	3.906	2005.	1.787	68.44
Swiss Franc	0.275	0.477	1.179	122.4	3.308	1.	1.292	663.5	0.591	22.64
Dutch Guilder	0.213	0.369	0.912	94.73	2.560	0.774	1.	513.5	0.457	17.52
Italian Lira 1,000	0.414	0.719	1.778	184.5	4.986	1.507	1.948	1000.	0.891	34.12
Canadian Dollar	0.465	0.807	1.995	207.0	5.595	1.691	2.185	1122.	1.	38.29
Belgian Franc 100	1.214	2.107	5.209	540.7	14.61	4.417	5.708	2930.	2.612	100.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED TRUSTS

Abbey Unit Tst. Mngrs. (a)

Allen Harvey & Ross Unit Tst. Mngrs.

Allied Hambro Ltd. (a) (g)

Anderson Unit Trust Managers Ltd.

Ansbacher Unit Mgmt. Co. Ltd.

Anthony Wieler Unit Trust Mgmt. Ltd.

Arbuthnot Securities Ltd. (a) (c)

Archway Unit Tst. Mgrs. Ltd. (a)(c)

Arkwright Management

Barclays Unicorn Ltd.(a)(c)(g)

Baring Brothers & Co. Ltd.

Bishopsgate Progressive Mgmt. Co.

Bridge Fund Managers (a)(c)

Britannia Gp. of Unit Trusts Ltd. (a)(c)(g)

Brown Shipley & Co. Ltd. (a)(g)

Buckmaster Management Co. Ltd.

Canada Life Unit Trust Mngrs. Ltd.

Cannon Fund Managers Ltd. (a)

Capel (James) Mngt. Ltd.

Carr, Sebag Unit Trust Managers (a)

Cent. Bd. of Fin. of Church of England

Charities Official Invest. Fund

Chieftain Trust Managers Ltd. (a) (g)

Confederation Funds Mgt. Ltd. (a)

Craigmount Unit Tst. Mgrs. Ltd.

Crescent Unit Tst. Mngrs. Ltd. (a)(g)

Discretionary Unit Fund Managers

Dunbar Unit Trust Managers Ltd.

E. F. Winchester Fund Mngt. Ltd.

Equity & Law Un. Tr. M. (a) (b) (c)

Fidelity International Management Ltd.

Framlington Unit Mgt. Ltd. (a)

Friends Prov. Trust Managers (a)(b)(c)

Funds in Court

G.T. Unit Managers Ltd.

G. & A. Trust (a) (g)

Gartmore Fund Managers (a)(g)

Govett (John)

Grieveson Management Co. Ltd.

Guardian Royal Ex. Unit Mgrs. Ltd.

Henderson Administration (a) (b) (c)

Hill Samuel Unit Tst. Mgrs.† (a)

Key Fund Managers Ltd. (a)(g)

Kleinwort Benson Unit Managers

L & C Unit Trust Management Ltd.

Legal & General (Unit Tst. Mngrs.) Ltd.

Leonine Administration Ltd.

Lloyds Bk. Unit Tst. Mngrs. Ltd. (a)

Lloyd's Life Unit Tst. Mngrs. Ltd.

Local Authorities' Mutual Invest. Trust

M & G Group (y)(c)(z)

Mallinhall Limited

Manulife Management Ltd.

Mayflower Management Co. Ltd.

McAnally Fund Management Ltd.

Mercury Fund Managers Ltd.

Midland Bank Group Unit Trust Managers Ltd.

Minster Fund Managers Ltd.

MLA Unit Trust Mngmnt. Ltd.

Murray Johnstone U.T. Mgmt. (a)

Mutual Unit Trust Managers (a)(g)

National Provident Inv. Mngrs. Ltd.

National Westminster (a)

NEL Trust Managers Ltd. (a) (g)

Newgate Services Ltd.

Northgate Unit Trust Managers Ltd. (c)(y)

Norwich Union Insurance Group (b)

Pearl Trust Managers Ltd. (a)(g)(z)

Pelican Units Admin. Ltd. (g)(x)

Perpetual Unit Trust Mngmt. (a) (g)

Practical Invest. Co. Ltd. (y)(c)

Provincial Life Inv. Co. Ltd.

Prudl. Portfolio Mngrs. Ltd. (a) (b) (c)

Quilter Management Co. Ltd.

Reliance Unit Mgrs. Ltd.

Ridgefield Management Ltd.

Rothschild Asset Management (g)

Royal Life Fd. Mgmt. Ltd.

Royal London Unit Tst Mgrs Ltd

Royal Tst. Can. Fd. Mgrs. Ltd.

Save & Prosper Group

Schroder Unit Trust Managers Ltd.

Scottish Amicable Inv. Mngrs. Ltd.

Scottish Equitable Fund Mgrs. Ltd.

Scottish Widows' Fund Management

SIMCO Money Funds

Stewart Unit Tst. Managers Ltd. (a)

Sun Alliance Fund Mangmt. Ltd.

Swiss Life Pen. Tst. Man. Co. Ltd.(a)(c)

Target Tst. Mngrs. Ltd. (a) (g)

Trades Union Unit Trust Managers

Transatlantic and Gen. Secs. Co. (y)

Trident Managers Ltd.(a)(b)(c)

TSB Unit Trusts (b) (c) (y)

Ulster Bank (a)

Unit Trust Account & Mgmt. Ltd.

[illegible]

NOTES

[illegible]

INSURANCE & OVERSEAS MANAGED FUNDS

INSURANCES

Abbey Life Assurance Co. Ltd.

Albany Life Assurance Co. Ltd.

AMEV Life Assurance Ltd.

Barclays Life Assur. Co. Ltd.

Black Horse Life Ass. Co. Ltd.

Canada Life Assurance Co.

Canada Life Assurance Co of G. Britain

Cannon Assurance Ltd.

Capital Life Assurance

Chieftain Assurance Funds

City of Westminster Assurance

Clerical Medical Managed Funds Ltd.

Commercial Union Group

Confederation Life Insurance Co.

Continental Life Insurance PLC

Cornhill Insurance Co. Ltd.

Credit & Commerce Insurance Co.

Crescent Life Assurance Co. Ltd.

Crown Life

Crusader Insurance PLC

Eagle Star Insur./Midland Assur.

Equity & Law Life Ass. Soc. Ltd.

Equity & Law (Managed Funds) Ltd.

Family Assurance Society

G.T. Management Ltd.

Assicurazioni GENERALI S.p.A.

General Portfolio Life Ins. C. Ltd.

Growth & Sec. Life Ass. Soc. Ltd.

Guardian Royal Exchange

Hambro Life Assurance P.L.C.

Hearts of Oak Benefit Society

Henderson Administration

Hill Samuel Life Assur. Ltd.

Imperial Life Ass. Co. of Canada

Irish Life Assurance Co. Ltd.

King & Shaxson PLC

Langham Life Assr. Co. Ltd.

Legal & General (Unit Assur.) Ltd.

Legal & General Prop. Fd. Mgrs. Ltd.

Life Assur. Co. of Pennsylvania

Lloyds Life Assurance

London Indemnity & Gnl. Ins. Co. Ltd

London Life Linked Assur. Ltd.

London & Manchester Gp.

M & G Group

Manufacturers Life Insurance Co.

Merchant Investors Assurance

Multiple Health and Life Assur. Co. Ltd.

NEL Pensions Ltd.

NPI Pensions Management Ltd.

National Provident Institution

New Zealand Ins. Co. (U.K.) Ltd.

Norwich Union Insurance Group

Pearl Assurance (Unit Funds) Ltd.

Phoenix Assurance Co. Ltd.

Pioneer Mutual Insurance Co. Ltd.

Planned Savings Group

Premium Life Assurance Co. Ltd.

Prop. Equity & Life Ass. Co.

Property Growth Assur. Co. Ltd.

Providence Capitol Life Assc. Co. Ltd.

Provincial Life Assurance Co. Ltd.

Prudential Pensions Limited

Refuge Investments Limited

Reliance Mutual

Royal Life Insurance Ltd.

Save & Prosper Group

Schroder Life Assurance Ltd.

Scottish Amicable Investments

Scottish Mutual Assurance Society

Scottish Widows' Group

Standard Life Assurance Company

Sun Alliance Insurance Group

Sun Life of Canada (UK) Ltd.

Sun Life Unit Assurance Ltd.

Sun Life Pensions Management Ltd.

Target Life Assurance Co. Ltd.

Transinternational Life Ins. Co. Ltd.

Trident Life Assurance Co. Ltd.

Tyndall Assurance/Pensions

Vanbrugh Life Assurance

Vanbrugh Pensions Limited

Windsor Life Assur. Co. Ltd.

OFFSHORE AND OVERSEAS

Adig Investment

Allen Harvey & Ross Inv. Mgt. (C.I.)

Alliance International Dollar Reserves

Arbuthnot Securities (C.I.) Ltd.

Bank of America International S.A.

Barclays Unicorn International

B.I.A. Bond Investments AG

Bishopsgate Commodity Ser. Ltd.

Bridge Management Ltd.

Britannia Intl. Investment Mngmt. Ltd.

Brown Shipley Tst. Co. (Jersey) Ltd.

Butterfield Management Co. Ltd.

CAL Investments (IoM) Ltd.

Capital Asset Managers Ltd.

Capital International Fund S.A.

Charterhouse Japhet

Charterhouse Japhet Currency Mngt. Ltd.

Chawton Commodities (Isle of Man) Ltd.

Cornhill Ins. (Guernsey) Ltd.

Cortexa International

Craigmount Fund Int. Mngrs. (Jersey)

DWS Deutsche Ges. F. Wertpapiersp

Delta Group

Deutscher Investment-Trust

Drexel Burnham Lambert

Dreyfus Intercontinental Inv. Fd.

Duncan Lawrie Inv. Mgt. Ltd.

Emson & Dudley Tst. Mgt. Jrsy. Ltd.

The English Association

Ermitage Management Ltd.

Eurobond Holdings N.V.

S.G. Europe Obligations S.A.

Eurotex Investments Ltd.

Executive Life I.F. Managers Ltd.

F & C Mgmt. Ltd. Inv. Advisers

Fidelity International

Fleming Japan Fund S.A.

Frankfurt Trust Investment-GmbH

Free World Fund Ltd.

G. T. Management (U.K.) Ltd.

Gartmore Invest. Ltd. Ldn. Agts.

Gartmore Fund Managers (IoM) Ltd.

Assicurazioni GENERALI S.p.A.

Granville Management Limited

Guinness Mahon Int. Fund (Guernsey)

Hambro Pacific Fund Mgmt. Ltd.

Hambros Fd. Mgrs. (C.I.) Ltd.

Henderson Admin. & Man. (Guernsey)

Henderson Baring Group

Hill-Samuel & Co. (Guernsey) Ltd.

Hill Samuel Investment Mngmt. Intnl.

HK Fund Managers (Jersey) Ltd.

I.C. Trust Managers Ltd.

IGF Management Services Inc.

N.V. Interbeheer

International Bond Trust

Intermarket Fund

International Pacific Inv. Mgmt. Ltd.

Investment Advisers, Inc.

Invicta Investment Management

Jardine Fleming & Co. Ltd.

Leopold Joseph & Sons (Guernsey)

Kleinwort Benson Group

Korea International Trust

Daehan Investment Trust Co. Ltd.

Lazard Brothers & Co. (Jersey) Ltd.

Lloyds Bank (C.I.) U/T Mgrs.

Lloyds Bank International, Geneva

Lloyds Bank International, Guernsey

Louis Dreyfus Commodity Fund

M & G Group

Management International Ltd.

Manufacturers Hanover Asset Mgt

Midland Bank Tst. Corp. (Jersey) Ltd.

Minerals, Oils Res. Shrs. Fd. Inc.

Samuel Montagu Ldn. Agents

Murray, Johnstone (Inv. Adviser)

Nat. Westminster Jersey Fd. Mgrs. Ltd.

Negit S.A.

N.E.L. International

Northgate Unit Tst. Mngrs. (Jersey)

Pacific Basin Fund

Phoenix International

Providence Capitol International Ltd.

Quest Fund Man. (Jersey) Ltd.

Quilter/Helnold Commodities

RBC Investment Managers Limited

Rarnsco Managers Ltd.

Richmond Life Ass. Ltd.

Rothschild Asset Management (C.I.)

Save & Prosper International

Schroder Mngt. Services (Jersey) Ltd.

J. Henry Schroder Wagg & Co. Ltd.

Schroder Unit Trust Mgrs. Int. Ltd.

Schroder Life Assurance Int. Ltd.

Scrimgeour Kemp-Gee Mngmt., Jersey

Sentry Assurance International Ltd.

Singer & Friedlander Ldn. Agents.

Strategic Metal Trust Mngrs. Ltd.

Stronghold Management Limited

Sunivest (Jersey) Ltd.

TSB Trust Funds (C.I.)

Tokyo Pacific Holdings N.V.

Tokyo Pacific Hldgs. (Seaboard) N.V.

Tyndall Group

Union-Investment-Gesellschaft mbH

V.C.A. Financial Management Ltd.

Vanbrugh Fund Mngmt. Intl. Ltd.

S. G. Warburg & Co. Ltd.

Warburg Invest. Mngt. Jrsy. Ltd.

Wardley Investment Services Ltd.

World Wide Growth Management

Wren Commodity Management Ltd.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of U.K. taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies.

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
5Jul	5Ja	Exch. 8¼pc 1983	99½	[illegible]	8.79	10.00
21Aug	21F	Exch. 3pc 1983	97⅛	15.9	3.09	9.27
17S	17Mar	Treasury 12pc 1983‡‡	101½xd	11.4	11.84	9.48
18Ja	18Jul	Treasury 9¼pc '83	99⅝	11.6	9.29	
22May	22N	Exch. 13½pc '83	103⅝	15.4	13.03	10.17
12Jun	12D	Exch. 10pc 1983	100	[illegible]	10.00	9.94
15Jul	15Ja	Funding 5½pc '82-84‡‡	95¼	[illegible]	5.77	9.21
20Aug	20F	Exch. 11¼pc 1984	101¼	14.7	11.06	9.90
22N	22May	Exchequer 14pc. 1984	104⅞	[illegible]	13.35	10.84
19O	19Jun	Exch. 3pc 1984	91½	[illegible]	3.28	8.16
26Mar	26S	Treasury 12pc 1984	102⅞xd	20.1	11.66	10.52
22Aug	22F	Treasury 15pc 1985	108¾	16.7	13.79	10.85
22S	22Mar	Exch. 12pc Cnv. '85	104⅝xd	15.4	11.47	9.72
21N	21My	Treasury 3pc 1985	87½	14.4	3.43	8.22
15Jan	15Jul	Treasury 11½pc 1985	102	8.6	11.27	10.66
22May	22N	Exch. 12¾pc 1985	103½	15.4	11.84	10.88
25 Aug.	25F	Exch. 11¼pc '86	102⅞	19.7	11.42	10.63
19N	19May	Treasury 3pc 1986	84½	13.4	3.55	7.97
12D	12Jun	Treasury 12pc '86	103	6.5	11.65	10.98
10Ja	10Jul	Treasury 8½pc '84-86‡‡	96	3.6	8.85	9.75
14Ja	14Jn	Treas. 12¾pc '86 Cov.	106⅝	—	11.49	10.12
29Apr	29Oct	Exch. 14pc 1986	110	—	12.73	10.92
22Jul	22Jan	Exch. 13¼pc 1987	108	15.6	12.27	10.89
—		Exch 10½pc '87 (£40pd).	40⅞	—	10.54	10.60
1N	1May	Funding 6½pc '85-87‡‡	89	9.8	7.30	9.46
14Ja.	14Jul	Treasury 3pc 1987	81¼	—	3.67	7.55

Five to Fifteen Years

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
3 May	3N	Treas. 12pc 1987	106¼	29.3	11.67	11.24
3 May		Treas 12pc 1987 'A'	104	—	11.64	11.29
26 Jul	26 Ja	Treasury 7¾pc '85-88‡‡	93¼	21.6	8.47	9.55
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Over Fifteen Years

[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Undated

[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Index-Linked & Variable Rate

[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CORPORATION LOANS

[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COMMONWEALTH AND AFRICAN LOANS

[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LOANS

Public Board and Ind.

[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LOANS—Continued

Financial

[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Building Societies

[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FOREIGN BONDS & RAILS

[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS

[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS AND HIRE PURCHASE

[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS & H.P.—Cont.

[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Hire Purchase, etc.

[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BEERS, WINES AND SPIRITS

[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CHEMICALS, PLASTICS

[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CHEMICALS, PLASTICS—Cont.

[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DRAPERY AND STORES

[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ELECTRICALS

[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ELECTRICALS—Continued

[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ENGINEERING MACHINE TOOLS

[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FOOD, GROCERIES, ETC.

[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FOOD, GROCERIES—Cont.

[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

HOTELS AND CATERERS

[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INDUSTRIALS (Miscel.)

[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

هكذا من الأصل

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LEISURE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc.

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

MINES—Continued

Central African

[illegible]

Australian

[illegible]

Tins

[illegible]

Miscellaneous

Dividends Paid		Stock	Price	Last xd	Div Net	Cvr	Y'ld Gr's
—		Anglo-Dominion	32	—	—	—	—
	May	Burma Mines 10p	13½	30.4	0.55	1.0	5.8
	—	Colby Res. Corp.	77	—	—	—	—
Aug.	Feb.	Cons. Murch. 10c.	250	25.12	‡Q60c	1.9	‡
—		‡‡Explaura Gold	2½	—	—	—	—
	—	Highwood Res.	75	—	—	—	—
	—	Northgate C$1	195	977	—	—	—
Jan.	July	R.T.Z.	403	7.6	16.0	2.1	53.2
Jan	July	Do. 9½%Cn.Ln.'95-2000	£105½	7.6	Q9½%	30.0	f9.1
	—	Sabina Inds. C$1	16	—	—	—	—
	—	‡Southwest C. 10p	38	—	—	—	—
	—	Tara Exptn. $1	310	—	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♠ Figures or report awaited.
- ♣ USM: not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 163(3).
- ¢ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- ♣ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.
- ♥ Rate applicable to non-Zimbabwean residents.

[illegible]

REGIONAL AND IRISH STOCKS

OPTIONS

3-month Call Rates

"Recent Issues" and "Rights" Page 16

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £600 per annum for each security

FINANCIAL TIMES

Tuesday August 31 1982

Chinese party faces purge

BY TONY WALKER IN PEKING

A SWEEPING purge of the Chinese Communist Party's 39m members is expected to follow the party's 12th congress opening in Peking today. At the end of the meeting all members are likely to be asked to re-register for party membership. Acceptance, however, will not be automatic.

It appears Deng Xiaoping, China's most powerful politician, and supporters have devised an ingenious scheme to get rid of many party members without going through messy expulsion procedures.

Deng has said many members were not up to standard. China's paramount leader referred particularly to those, perhaps more than 20m, who joined the party after the start of the Cultural Revolution.

According to well-placed observers the aim of the re-registration procedure is to trim the party, to make it more manageable and to improve the quality of its membership.

Deng and supporters in the moderate faction of the leadership have been manoeuvred for several years towards an extensive weeding of those they consider unsuitable. The Discipline Inspection Commission of the party spent at least the past year reviewing individual party memberships.

The Dengists may have calculated also that many present party members will not bother to reregister in the knowledge their Cultural Revolution activities would make them unacceptable.

A leading official of the Discipline Commission said in an interview with the Xinhua news agency at the weekend that "after several years of rectification and reconsolidation of our party, the main trend in our party is good and its work-style has become better and better."

He added: "Of course, we aim at a fundamental change for the better in the work-style of our party and there is still a long way to go to achieve our goal." This may come as ominous news to millions in the party whose hold on membership is shaky.

The congress seems likely to be one of the most important in the party's history. It will endorse new outward-looking economic policies as well as approve changes in the party leadership structure. Among the changes are:

- Creation of a central advisory panel of party elders, expected to be led by Deng;
- Abolition of posts of chairman and vice-chairmen—there are six party vice-chairmen;
- Strengthening of the party secretariat under Hu Yaobang, the general secretary, who will relinquish chairmanship but, as general secretary, will remain the party's chief executive;
- Retention of the Politburo, in spite of reports to the contrary, but with a reduced role because of the strengthening of the secretariat and the creation of the panel of advisers.

The congress will meet for about a week. It will be followed by a plenary session of the central committee, to elect officials to newly-constituted bodies.

The 1,600-odd congress delegates will elect a new Central Committee. This is expected to include an overwhelming number of Deng's supporters, unlike the more ambivalent present Central Committee elected in 1977 when Maoists like Hua Guofeng, the former chairman, were in the ascendancy.

The congress will approve a draft party constitution to encompass organisational changes mentioned above. Other tasks will be to consider a major general political report, expected to be delivered by Hu Yaobang, on developments in and outside China since 1977.

The report will assess the international situation and domestic conditions in China. It is likely to set down modernisation programmes for several decades. These might include a call for more efforts in agriculture, energy development, and transport.

According to a Chinese source the party general secretariat would operate very like one formed in the 1950s under Mr Deng. As with many reforms implemented in the past several years those about to be endorsed by the party congress reflect the way things were done at times in the 1950s and 1960s when pragmatists like Mr Deng and Liu Shaoqi, the former Head of State, were in control.

Leader, Page 14

Arafat quits after 12 years in Lebanon

By Stewart Dalby and Nora Boustany in Beirut

MR YASSIR ARAFAT, chairman of the Palestine Liberation Organisation, sailed from Beirut for Athens yesterday after 12 years in Lebanon.

His historic departure was planned to be a solemn affair. In the event, the scores of journalists and photographers jostling with hundreds of his supporters in the largely destroyed port area robbed the occasion of its dignity.

Shortly before Mr Arafat's departure 1,500 Syrian troops left Beirut by road with their tanks, armoured personnel carriers and heavy artillery pieces.

They were thought to be going to join the 30,000 or so Syrian troops in the Bekaa Valley, in East Lebanon. They rumbled through empty streets early in the morning, their progress unhindered by either Israeli or Christian Phalange troops who control the south-western part of the Beirut-Damascus Highway.

The remaining force of about 1,200 Syrian troops is due to leave Beirut today to join the other troops in the Bekaa Valley. At the latest, Syria's withdrawal from Beirut is to be completed on Wednesday.

More than 9,000 PLO fighters and Syrian troops have left West Beirut. It seems likely that all 12,000 fighters due to be evacuated under the plan of Mr Philip Habib, the U.S. special envoy, will have left by tomorrow.

Now that Mr Arafat, Dr George Habash, the leader of the Marxist Popular Front for the Liberation of Palestine, as well as Mr Nayef Hawatmeh, of the Democratic Front for the Liberation of Palestine, have left West Beirut, attention has centred on fears of a military confrontation between the heavily armed Moslem militias that remain in the city and either the Lebanese Army or the Israelis.

The Lebanese Army is supposed to be taking up positions in West Beirut as a preliminary step to disarming all militias.

However, by last night no units had entered the heart of West Beirut. There is grave concern that the Nasserite Muribatoun, in particular, will resist any attempts to be disarmed.

The leader of the Muribatoun, Mr Ibrahim Koleilat, has said there will be no surrender of arms until the Israelis withdraw. The situation has not been helped by statements reaching here that Lieutenant-General Rafael Eitan, the Israeli Chief of Staff, has said his troops were ready to go into West Beirut and disarm the Muribatoun. Much will hinge on whether Mr Gemayel manages to allay Moslem fears over the next few days.

Uneasy peace in Bekaa Page 2

THE LEX COLUMN

Why Novo spread its wings

During the year 1977 several meetings took place between two old friends, Professor Arthur Stonehill, of the Oregon State University business school, and Mr Kare Dullum, finance director of a then obscure Danish company called Novo Industri, making enzymes and pharmaceuticals (mainly insulin). Novo was a small company with big ambitions, but it suffered the handicap of being trapped within a very limited Danish capital market. Could a theoretical case be made for internationalising Novo's capital sources?

Novo's long-range financial plan prepared in May 1977, projected substantial cash flow deficits, which were expected to reach DKr 134m for 1978 and 1979 combined. If the company could not raise funds externally on acceptable terms it would have to slow its growth rate, or choose some other undesirable course of action.

High technology

For a company in this kind of high technology business, a slow-down posed serious dangers. If the company failed to exploit technological opportunities as they became available, others might. Not only would it lose out in these new processes to competitors, but its whole viability might be undermined, particularly as the continuing research and development requirements in biotechnology would inevitably be extremely heavy.

The competition included substantial companies such as Eli Lilly and Miles Laboratories in the U.S. and Gist Brocades in the Netherlands. These had substantial capital resources at their disposal. But Novo's management and advisers feared that it would be impossible to raise the required funds in Denmark without seriously depressing its share price and greatly increasing its cost of debt.

The danger was that by heavily tapping the small, illiquid Danish capital market Novo would drive up its cost of capital.

The obvious solution was for the company to seek to tap overseas sources of capital — to match the multinational nature of its sales pattern by developing a multinational funding policy. But this could only be a valid strategy if it could be proved that the Danish capital market was in some way "segmented," or isolated from foreign markets.

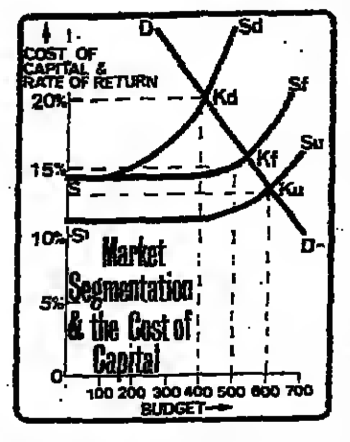
Certainly the Danish market has restrictive features for domestic investors, who cannot buy overseas securities, and are subject to a tax regime which discriminates against equities. Yet there is nothing to prevent foreign investors from rushing in to snap up undervalued Danish shares.

Barriers

Nevertheless it is clear that there are important effective barriers. International investors require information in a language (preferably English) which they can understand and in a form which they are familiar with. They will have their own ideas about capital structure — for example, British and American investors will not be happy with the high financial leverage which is common in Denmark

Novo decided it would have to break through these barriers. In 1978 it embarked on a course which, in stages, has taken it to a New York listing and access to the capital market on the same basis as U.S. rivals like Genentech or Cetus. The theory and practice of this has been set out in a new book* by Stonehill and Dullum.

The essence of the theory is set out in the chart. Projects in declining order of rate of return are ranked along the line DD. In an illiquid and segmented domestic capital market the company faces a sharply rising cost of capital along the line SSd, and the optimal capital budget is only, in this example, 400 currency units.



In a more liquid, though still segmented, market the position is somewhat better—the cost of capital rises more slowly along the curve SSf and the optimal capital spend rises to, say, 500. Best of all, however, is when the company can gain access to the integrated international capital market. The curve S'Su not only starts lower but is flatter, and the capital budget can climb still higher.

This may be just an airy-fairy way of saying that ambitious companies have to be prepared to move to where the money is, but Novo has been impressively successful in homing in on the point Ku.

The first step was a convertible Eurobond issue in 1978, boosted by "road shows" in major European cities. There was also a London Stock Exchange listing, and with the abolition of UK exchange controls in 1979 British interest greatly expanded. There followed an equity issue, and with biotechnology suddenly becoming fashionable, Novo had become an international glamour stock.

Voting control

Then it was on to the U.S. in earnest, with seminars, the hiring of Goldman Sachs advisers, a quote on the over-the-counter market, and in May 1981 a U.S. share issue and New York Stock Exchange listing. At the present time, as much as 80 per cent of the stock may be held outside Denmark, although the Novo Foundation in Denmark remains firmly in control with 56.3 per cent of the total votes thanks to its ownership of the A stock.

Ironically, Novo's share price is now performing even better than that of many of its U.S. rivals, whose glamour has faded a little. Novo is a company with a track record and a broad range of products on the market, whereas with some of the U.S. biotech stars the concept has run some way ahead of the product.

But can any general lessons be drawn from the case history of Novo? It is tempting to say that it is such an exceptional company that emulators will follow it at their peril. Other less successful examples of companies tapping foreign markets range from whimsical Vancouver-based oil exploration outfits to the languishing Vitatron, a Dutch technology share listed in London.

Yet Novo Industri has proved that if everything clicks into place, and if a company is really prepared to make the effort, the international capital market is ready to be tapped.

* * *

* *Internationalising the Cost of Capital in Theory and Practice: the Novo experience and national policy implications.* Arthur I. Stonehill and Kare B. Dullum. To be published shortly in Copenhagen.

MIM Holdings in new financing scheme

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

MIM HOLDINGS, the Australian steel and natural resources company, is raising A$700m (£398m) for its Newlands-Collinsville coal development in Queensland with a new technique designed to draw institutions and other money market investors into long-term project financing for the first time.

In essence, international banks will guarantee part of the financing, which will be raised through the issue of short-term money market paper that can be rolled over continuously for 12 years.

About U.S.$520m (£299m) will be raised in this way, so that banks already committed heavily to large project financings in Australia will not have to put up the money themselves.

Instead, a group of banks led by Manufacturers Hanover will provide a guarantee facility of U.S.$320m against the issue of three- and six-month Euronotes, which are akin to a Eurodollar certificate of deposit.

Chemical Bank is arranging a U.S.$200m back-up facility for the issue of commercial paper in the New York market, for which it will act as sole dealer and agent.

Money market investors who buy the commercial paper and Euronotes will thus obtain a tradeable short-term asset, whereas the banks providing the guarantee and back-up facility will themselves assume any long-term risk attached to the completion of the project.

A statement yesterday said MIM and its financial adviser, First Boston, are also finalising further conventional loans totalling A$200m in a mixture of Australian, U.S. and Japanese currency.

Long-term Credit Bank of Japan and Bank of Tokyo will be agents for the Japanese loans, also with a life of 12 years. All the loans will have average margins over Eurocurrency rates of about ⅜ per cent.

The project comprises the development of a new mine at Newlands, expansion of the existing Collinsville mine, and building of related port and rail installations to provide for the production of 6.3m tonnes a year of steaming and coking coal.

Long-term sales contracts for 90 per cent of the total output have already been announced, with options and current negotiations taking this figure to 98 per cent. The sales are to customers in Europe, Japan, Taiwan, Hong Kong, Korea and other Pacific Basin countries.

Private finance plan for Gatwick rail link

By Hazel Duffy, Transport Correspondent

A SCHEME to create a privately-financed rail link between Victoria and Gatwick Airport, costing about £45m, is expected to go before Ministers within the next few weeks.

The plans, drawn up by a working party of Treasury, Transport Department and British Rail, calls for a separate company to be formed which would run a new service between Victoria and Gatwick. BR would put up a 30 per cent share in the company and the rest would be subscribed from the private sector.

The company would own the new terminal being built above Victoria Station, Gatwick Station, and the rolling stock. It would pay BR for the use of the tracks, while BR would also maintain the rolling stock.

BR believes that the scheme provides the best hope of improving the Gatwick service. Construction has started at the Victoria terminal, where check-in facilities for airline passengers are planned, but BR's financial plight offers little chance that the service will be improved unless it is allowed access to private capital.

The outline plans will be submitted to Mr David Howell, Transport Secretary, and Sir Peter Parker, BR chairman, shortly. The Transport Department is thought to be enthusiastic about the scheme, but it will be the view of the Treasury on its viability which will determine the outcome.

The Treasury has been sceptical so far about other new plans involving private-sector finance and the railways, particularly the Channel Tunnel, because it believes the degree of integration would be too great for the private sector financial element to be designated as true risk capital.

The return on a separate Victoria-Gatwick link would depend on the forecast growth in traffic at Gatwick materialising, which in turn will depend on the second terminal at Gatwick going ahead.

The station at Gatwick has been modernised at a cost of £15m, which the terminal at Victoria is estimated at £20m. Refurbished rolling stock, with specially designed luggage vans, permanently coupled to an electric locomotive would be used on the link.

The plan is that the new company would set its own fares, running a service every 15 minutes. BR recognises that the present Gatwick service and some of the rolling stock are not satisfactory. If the plans receive Government approval, it would hope to have the link working by the spring of 1984.

Murray calls for tougher action in health workers' pay dispute

BY PHILIP BASSETT, LABOUR CORRESPONDENT

MR LEN MURRAY, TUC general secretary, said yesterday that the programme of industrial action taken so far in the National Health Service over pay must be stepped up to persuade the Government to listen to the health workers' case.

Such a firm, forthright statement from a leading figure in the trade union movement—and one usually known for his reticence—will give new heart to the health service strikers. It may well also increase moves by non-NHS workers for widespread sympathy action on the day of the NHS one-day general stoppage called for September 22.

Mr Murray, speaking in a radio interview, said: "We have to try to get the Government to listen. The man and woman in the street are saying that the hospital workers ought to get a better deal. More and more doctors are saying it. The problem is—how do we get the Government to listen?

"We have to escalate the action in order to get the Government to listen to what must be done."

Mr Murray acknowledged that intensified action might lose the unions the measure of public support they were enjoying.

He said: "Of course there is a risk of that. But it is a risk we have to take."

Replying to the suggestion from Mr Norman Fowler, Social Services Secretary, that the unions "cool it," Mr Murray said: "The whole thing would be cooled if Mr Fowler would say: 'I will come to the negotiating table, or conciliation, or arbitration.'"

Mr Murray said the Government would have to think again. Everybody made mistakes. The Government ought now to acknowledge that the hospital workers have a good case which should be met.

He forecast a "tremendous response" to the NHS dispute from other unions at next week's TUC Congress in Brighton. The full TUC general council is likely to decide this week in favour of a recommendation from Mr Murray that it should draft a statement on the NHS dispute to put to Congress.

This would be used as the basis for the debate on the dispute, currently set for Thursday of Congress week.

It would have the added advantage of obviating emergency motions on the dispute from individual unions, which would preclude the possibility of any differences in policy or strategy emerging at a highly-public occasion.

The General and Municipal Workers' Union and the National and Local Government Officers' Association have already tabled emergency motions, but seem likely to be prepared to withdraw them in favour of a centrally-agreed statement of which most affected unions seem in favour.

TUC leaders are also likely to monitor closely talks expected on Friday between Mr Fowler and the non-TUC Royal College of Nursing, following the RCN's 2-1 rejection in a ballot of the Government's 7.5 per cent pay offer to nurses.

TUC plans tighter funds control

BY CHRISTIAN TYLER

THE TUC is planning to bring the huge assets and income of workers' occupational pension funds under close trade union control.

It aims to change the investment policies of the funds by persuading trade union member trustees to challenge the orthodoxy of the funds' investment advisers and managers.

Its two priorities will be to limit and eventually reduce overseas investment—which has been greatly increased, especially since the lifting of exchange controls—and to use the funds for UK industrial investment. Long-term capital growth rather than maximum short-term rate of return will be the criterion.

Although the TUC argues that all this can be done without violating trustees' existing legal obligations, its bid for funds will be seen by many in the City as nakedly political. The TUC plans are tailored to fit a revamped industrial strategy and State planning system drawn up in tandem with the Labour Party.

An illustration of what would happen if the TUC's strategy is successful has already been provided by Mr Arthur Scargill, president of the National Union of Mineworkers, and a new trustee of the Coal Board pension fund. He and his four fellow trustees from the NUM have rejected the fund's latest investment plan because it seeks to increase the ratio of investment placed abroad and with the oil companies, a competitor industry.

There has been talk of a test case in the courts, after a clash between the fund's solicitors and the union's own legal advisers. But the NUM trustees are convinced they are entitled not only to block the disputed placing but also to order the sale of existing holdings.

The TUC's plans are set out in a policy document* published today after several years of consultation. Some of the details are still tentative and have to be tested in the first instance at a special conference of trade union member trustees on November 11.

These trustees, it is suggested, must press for an initial investment limit of 10 per cent of their funds' overseas assets—present ratios are as high as 30 per cent in some cases—which would be reduced as UK opportunities increased. Direct investment in South Africa would be avoided entirely. If necessary, trade union negotiators should demand alterations to trust deeds to make that policy explicit.

Trade union trustees should also be ready to place up to 10 per cent of a fund's assets at the disposal of a "gilt-edged" National Investment Bank that the TUC and Labour Party both wanted to see established. A further 5 per cent should be committed to local investment funds, like those already set up by the GLC and the West Midlands County Council, for investment in local job-saving and job-creating industry.

Self-administered pension funds now control more than £60bn of assets and have at least £7bn a year of new money to invest. This is as much as the total capital investment in UK manufacturing last year, the TUC notes. If insured schemes are included, total assets could be as much as £90bn.

* *Report on Pension Fund Investment and Trusteeship; TUC, Congress House, Great Russell Street, London WC1.*

CBI

Continued from Page 1

The balance of payments is expected to achieve a surplus on current account of about £2bn this year, but increasing import penetration is expected to swing into a deficit of £500m the following year.

This compares with a forecast of a surplus of £1½bn for 1983 predicted in May before the extent of import penetration was known, and when exports appeared more buoyant.

The CBI's view of the world economy has also become more pessimistic since its last forecast in May. It now expects no growth in the total output of the OECD countries this year, followed by growth of only 1¾ per cent next year.

World trade is expected to increase, by 2 per cent this year and by 2½ per cent next year, compared with 4 per cent in 1981.

Weather

UK TODAY

MAINLY DRY. Rain later. Temperatures near normal.

N. Ireland, Argyll, N.E. and N.W. Scotland, Orkney, Shetland
Cloudy. Rain. Gales. Dry spells later. Max. 17C (63F).

Rest of Scotland, England, Wales, Channel, I.o.M.
Sunny, cloudy with rain later. Max. 20C (68F).

Outlook: Rain in the North, dry in the South.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	25	77	London	F	19	65
Algiers	C	27	81	L. Ang.†	F	19	68
Amsdm.	C	17	63	Luxmbg.	F	22	72
Athens	S	31	88	Luxor	S	36	97
Bahrain	S	39	102	Madrid	F	28	82
Barclna.	S	26	79	Majorca	S	31	88
Belfast	R	12	54	Malaga	S	30	86
Belgrd.	C	20	68	Malta	S	34	93
Berlin	S	25	77	M'chstr	C	14	57
Biarritz	F	21	70	Mx. C.†		—	—
Bmghm.	C	18	64	Miami†	F	26	79
Blackpl.	R	15	59	Milan	S	23	73
Bordx.	F	23	73	Montrl.†	C	11	52
Boulgn.	C	17	63	Moscow	C	17	63
Bristol	C	17	63	Munich	S	21	70
Brussels	R	19	66	Nairobi	F	23	73
Budpst.	C	18	64	Naples	F	29	84
Cardiff	C	17	63	Nwcstl.	C	17	63
Cas'b'ca	C	24	75	N York†	C	16	61
Cape T.	C	16	61	Nice	S	25	77
Chicg.†	R	18	64	Nicosia	S	31	88
Cologne	F	25	77	Oporto	S	23	73
Cpnhgn.	F	18	64	Oslo	C	14	57
Corfu	S	31	88	Paris	F	23	73
Denver†	F	16	61	Perth	S	18	64
Dublin	C	14	57	Prague	F	22	72
Dbrvnk.	S	27	81	Rykjvk.	C	10	50
Ednbgh.	R	17	63	Rhodes	S	33	91
Faro	S	26	79	Rio J'o†		—	—
Florence	F	27	81	Rome	S	27	81
Frankft.	C	22	72	Salzbrg.	S	23	73
Funchal	C	22	72	S'cisco†	F	13	55
Geneva	S	23	73	Singapr.	C	28	82
Gibrltr.	S	25	77	S'tiago†		—	—
Gl'sg'w	C	14	57	Stckhm.	F	19	66
G'nsey	F	17	63	Strasbg.	F	23	73
Helsinki	S	18	64	Tangier	S	29	84
H. Kong	C	31	88	Tel Aviv	S	28	82
Innsbrk.	S	22	72	Tenerife	F	25	77
Invrnss.	R	13	55	Tokyo	R	26	79
I.o.Man	R	13	55	T'r'nto†	C	12	54
Istanbul	S	31	88	Tunis	S	31	88
Jersey	C	17	63	Valencia	S	28	82
Jo'burg	S	24	75	Venice	S	23	73
L. Pims.	C	24	75	Vienna	C	20	68
Lisbon	S	26	79	Warsaw	F	20	68
Locarno	F	23	73	Zurich	F	20	68

C—Cloudy. F—Fair. R—Rain. S—Sunny.
† Noon GMT temperatures.